

| For the year ended 30 June 2009  | Note | Consolidated     |             | Parent Entity  |             |
|--|------|------------------|-------------|----------------|-------------|
|  |      | 2009<br>\$m      | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Continuing operations</b>   |      |                  |             |                |             |
| Revenue  | 4    | <b>5,909.9</b>   | 5,429.6     | <b>846.5</b>   | 177.8       |
| Other income   | 5    | <b>959.3</b>     | 186.5       | <b>1,004.9</b> | 163.9       |
| Expenses   | 6    | <b>(5,710.0)</b> | (5,214.5)   | <b>(28.4)</b>  | (136.1)     |
| Share of profits of associates and jointly controlled entities using the equity method | 20   | <b>54.4</b>      | 99.8        | –              | –           |
| Profit before net financing costs, depreciation and amortisation                       |      | <b>1,213.6</b>   | 501.4       | <b>1,823.0</b> | 205.6       |
| Depreciation and amortisation  | 8    | <b>(123.0)</b>   | (102.3)     | <b>(17.7)</b>  | (14.7)      |
| <b>Profit before net financing costs</b>   |      | <b>1,090.6</b>   | 399.1       | <b>1,805.3</b> | 190.9       |
| Finance income   |      | <b>53.2</b>      | 36.5        | <b>420.5</b>   | 389.3       |
| Finance costs  |      | <b>(132.5)</b>   | (187.6)     | <b>(231.6)</b> | (287.5)     |
| <b>Net financing (costs)/income</b>  | 7    | <b>(79.3)</b>    | (151.1)     | <b>188.9</b>   | 101.8       |
| <b>Profit before tax from continuing operations</b>                                    |      | <b>1,011.3</b>   | 248.0       | <b>1,994.2</b> | 292.7       |
| Income tax (expense)/income  | 9    | <b>(293.1)</b>   | 68.3        | <b>(330.9)</b> | (59.2)      |
| <b>Profit after tax from continuing operations</b>                                     |      | <b>718.2</b>     | 316.3       | <b>1,663.3</b> | 233.5       |
| <b>Discontinued operations</b>   |      |                  |             |                |             |
| Profit/(loss) after tax from discontinued operations                                   | 10   | <b>877.9</b>     | (87.3)      | <b>(11.4)</b>  | 5.6         |
| <b>Profit after tax attributable to Shareholders of the Parent Entity</b>              |      | <b>1,596.1</b>   | 229.0       | <b>1,651.9</b> | 239.1       |
| <b>Earnings per share</b>  |      |                  |             |                |             |
| From continuing and discontinued operations:   |      |                  |             |                |             |
| Basic earnings per share (cents)   | 41   | <b>358.0</b>     | 52.6        |                |             |
| Diluted earnings per share (cents)   | 41   | <b>357.6</b>     | 52.6        |                |             |
| From continuing operations:  |      |                  |             |                |             |
| Basic earnings per share (cents)   | 41   | <b>161.1</b>     | 72.6        |                |             |
| Diluted earnings per share (cents)   | 41   | <b>160.9</b>     | 72.6        |                |             |

The income statement is to be read in conjunction with the notes to the financial statements.

| As at 30 June 2009   | Note | Consolidated   |             | Parent Entity  |             |
|--|------|----------------|-------------|----------------|-------------|
|  |      | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Current assets</b>                                      |      |                |             |                |             |
| Cash and cash equivalents                                  | 12   | <b>623.1</b>   | 63.8        | <b>612.1</b>   | 33.1        |
| Trade and other receivables                                | 13   | <b>1,209.7</b> | 1,171.0     | <b>16.4</b>    | 18.3        |
| Inventories  | 14   | <b>51.2</b>    | 38.7        | <b>5.5</b>     | 1.2         |
| Current tax assets   | 9    | –              | 47.9        | –              | 47.9        |
| Other financial assets                                     | 15   | <b>438.3</b>   | 1,210.9     | <b>30.4</b>    | 289.6       |
| Other assets   | 16   | <b>151.4</b>   | 97.6        | <b>5.8</b>     | 1.7         |
|  |      | <b>2,473.7</b> | 2,629.9     | <b>670.2</b>   | 391.8       |
| Non-current assets classified as held for sale             | 17   | –              | 71.2        | –              | 64.2        |
| Assets of disposal groups classified as held for sale      | 18   | –              | 459.3       | –              | –           |
| <b>Total current assets</b>                                |      | <b>2,473.7</b> | 3,160.4     | <b>670.2</b>   | 456.0       |
| <b>Non-current assets</b>                                  |      |                |             |                |             |
| Trade and other receivables                                | 19   | <b>0.7</b>     | 0.8         | –              | –           |
| Investments accounted for using the equity method          | 20   | <b>182.6</b>   | 585.0       | –              | –           |
| Exploration and evaluation assets                          | 21   | <b>569.9</b>   | 25.9        | <b>20.6</b>    | 10.6        |
| Oil and gas assets   | 22   | <b>295.2</b>   | 150.7       | <b>220.4</b>   | 116.2       |
| Property, plant and equipment                              | 23   | <b>2,109.1</b> | 1,821.2     | <b>25.2</b>    | 24.6        |
| Intangible assets  | 24   | <b>3,161.1</b> | 3,154.9     | <b>57.7</b>    | 61.7        |
| Deferred tax assets  | 9    | –              | –           | <b>19.5</b>    | 12.7        |
| Other financial assets                                     | 25   | <b>186.0</b>   | 464.1       | <b>7,758.6</b> | 7,380.8     |
| Other assets   | 26   | <b>56.4</b>    | 89.9        | <b>2.1</b>     | 10.7        |
| <b>Total non-current assets</b>                            |      | <b>6,561.0</b> | 6,292.5     | <b>8,104.1</b> | 7,617.3     |
| <b>Total assets</b>  |      | <b>9,034.7</b> | 9,452.9     | <b>8,774.3</b> | 8,073.3     |
| <b>Current liabilities</b>                                 |      |                |             |                |             |
| Trade and other payables                                   | 27   | <b>800.8</b>   | 852.0       | <b>41.0</b>    | 40.0        |
| Borrowings   | 28   | –              | –           | –              | –           |
| Provisions   | 29   | <b>29.6</b>    | 24.3        | <b>8.0</b>     | 0.1         |
| Current tax liabilities                                    | 9    | <b>229.9</b>   | 23.4        | <b>168.6</b>   | –           |
| Other financial liabilities                                | 30   | <b>444.0</b>   | 770.4       | <b>527.6</b>   | 800.5       |
| Other liabilities  | 31   | <b>1.4</b>     | 1.9         | <b>1.3</b>     | 1.8         |
|  |      | <b>1,505.7</b> | 1,672.0     | <b>746.5</b>   | 842.4       |
| Liabilities of disposal groups classified as held for sale | 32   | –              | 53.0        | –              | –           |
| <b>Total current liabilities</b>                           |      | <b>1,505.7</b> | 1,725.0     | <b>746.5</b>   | 842.4       |
| <b>Non-current liabilities</b>                             |      |                |             |                |             |
| Trade and other payables                                   | 33   | <b>19.0</b>    | 38.2        | –              | –           |
| Borrowings   | 34   | <b>1,120.2</b> | 2,101.7     | <b>1,104.1</b> | 2,078.1     |
| Provisions   | 35   | <b>202.9</b>   | 201.6       | <b>15.3</b>    | 2.1         |
| Deferred tax liabilities                                   | 9    | <b>218.4</b>   | 379.2       | –              | –           |
| Other financial liabilities                                | 36   | <b>59.0</b>    | 12.8        | <b>1,265.2</b> | 949.0       |
| Other liabilities  | 37   | <b>63.8</b>    | 14.5        | <b>13.5</b>    | –           |
| <b>Total non-current liabilities</b>                       |      | <b>1,683.3</b> | 2,748.0     | <b>2,398.1</b> | 3,029.2     |
| <b>Total liabilities</b>                                   |      | <b>3,189.0</b> | 4,473.0     | <b>3,144.6</b> | 3,871.6     |
| <b>Net assets</b>  |      | <b>5,845.7</b> | 4,979.9     | <b>5,629.7</b> | 4,201.7     |
| <b>Equity</b>  |      |                |             |                |             |
| Issued capital   | 38   | <b>4,030.3</b> | 3,971.6     | <b>4,030.3</b> | 3,971.6     |
| Reserves   | 39   | <b>13.0</b>    | 501.3       | <b>(15.0)</b>  | 14.8        |
| Retained earnings  | 40   | <b>1,802.4</b> | 507.0       | <b>1,614.4</b> | 215.3       |
| <b>Total equity</b>  |      | <b>5,845.7</b> | 4,979.9     | <b>5,629.7</b> | 4,201.7     |

The balance sheet is to be read in conjunction with the notes to the financial statements.

| For the year ended 30 June 2009   | Note  | Consolidated     |             | Parent Entity    |             |
|---|-------|------------------|-------------|------------------|-------------|
|   |       | 2009<br>\$m      | 2008<br>\$m | 2009<br>\$m      | 2008<br>\$m |
| <b>Cash flows from operating activities</b>                                       |       |                  |             |                  |             |
| Receipts from customers   |       | <b>6,777.5</b>   | 6,651.4     | <b>48.8</b>      | 111.6       |
| Payments to suppliers and employees   |       | <b>(6,408.9)</b> | (6,072.8)   | <b>(32.7)</b>    | (59.3)      |
| Dividends received  |       | <b>37.6</b>      | 39.1        | <b>797.5</b>     | 123.6       |
| Finance income received   |       | <b>41.0</b>      | 30.8        | <b>414.4</b>     | 409.2       |
| Finance costs paid  |       | <b>(150.1)</b>   | (189.2)     | <b>(238.9)</b>   | (286.9)     |
| Income taxes paid   |       | <b>(61.7)</b>    | (104.6)     | <b>(61.7)</b>    | (8.6)       |
| <b>Net cash provided by operating activities</b>                                  | 54(a) | <b>235.4</b>     | 354.7       | <b>927.4</b>     | 289.6       |
| <b>Cash flows from investing activities</b>                                       |       |                  |             |                  |             |
| Payments for property, plant and equipment  |       | <b>(471.4)</b>   | (226.6)     | <b>(8.0)</b>     | (4.0)       |
| Payments for exploration and evaluation assets                                    |       | <b>(29.9)</b>    | (8.8)       | <b>(6.4)</b>     | (3.6)       |
| Payments for oil and gas assets   |       | <b>(89.6)</b>    | (56.8)      | <b>(85.8)</b>    | (21.3)      |
| Payments for investments  |       | <b>(2.3)</b>     | –           | <b>(44.1)</b>    | –           |
| Payments for other  |       | <b>(4.3)</b>     | (5.3)       | <b>(2.1)</b>     | –           |
| Payments for businesses and subsidiaries, net of cash acquired                    | 54(b) | <b>(623.2)</b>   | (620.1)     | <b>(628.2)</b>   | (141.8)     |
| Proceeds from sale of property, plant and equipment                               |       | <b>18.8</b>      | 117.3       | –                | –           |
| Proceeds from sale of investments   |       | <b>1,396.5</b>   | 244.3       | <b>1,396.5</b>   | 244.3       |
| Proceeds from sale of business and subsidiaries, net of cash disposed:            | 54(c) |                  |             |                  |             |
| discontinued operations   |       | <b>1,201.8</b>   | 57.5        | <b>100.8</b>     | 70.4        |
| subsidiary disposed in current period   |       | <b>42.1</b>      | –           | <b>42.1</b>      | –           |
| subsidiary disposed in prior period   |       | <b>3.6</b>       | –           | <b>3.6</b>       | –           |
| Proceeds from return of share capital from subsidiary                             |       | –                | –           | <b>97.7</b>      | 33.3        |
| <b>Net cash provided by/(used in) investing activities</b>                        |       | <b>1,442.1</b>   | (498.5)     | <b>866.1</b>     | 177.3       |
| <b>Cash flows from financing activities</b>                                       |       |                  |             |                  |             |
| On-market share purchases   |       | <b>(1.9)</b>     | (1.8)       | <b>(1.9)</b>     | (1.8)       |
| Proceeds from borrowings  |       | <b>446.0</b>     | 1,185.0     | <b>445.0</b>     | 1,185.0     |
| Repayment of borrowings   |       | <b>(1,420.8)</b> | (1,418.6)   | <b>(1,420.8)</b> | (1,420.0)   |
| Loans advanced to related parties   |       | <b>(1.2)</b>     | (5.0)       | <b>(1.2)</b>     | (5.0)       |
| Proceeds from repayment of related party loans                                    |       | –                | 277.1       | –                | 277.1       |
| Net increase in loans to/from subsidiaries  |       | –                | –           | <b>(58.2)</b>    | (537.2)     |
| Dividends paid  | 11    | <b>(177.4)</b>   | (112.7)     | <b>(177.4)</b>   | (112.7)     |
| <b>Net cash used in financing activities</b>                                      |       | <b>(1,155.3)</b> | (76.0)      | <b>(1,214.5)</b> | (614.6)     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                       |       |                  |             |                  |             |
| Cash and cash equivalents at the beginning of the financial year                  |       | <b>73.2</b>      | 279.2       | <b>33.1</b>      | 180.8       |
| Effect of exchange rate changes on the balance of cash held in foreign currencies |       | <b>27.7</b>      | 13.8        | –                | –           |
| <b>Cash and cash equivalents at the end of the financial year</b>                 | 54(d) | <b>623.1</b>     | 73.2        | <b>612.1</b>     | 33.1        |

The cash flow statement is to be read in conjunction with the notes to the financial statements.

| For the year ended 30 June 2009   | Note | Consolidated     |             | Parent Entity  |             |
|---|------|------------------|-------------|----------------|-------------|
|   |      | 2009<br>\$m      | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| Cash flow hedges:   |      |                  |             |                |             |
| (Loss)/gain taken to equity   | 39   | <b>(1,238.2)</b> | (1,262.2)   | <b>(39.3)</b>  | 18.3        |
| Transferred to profit or loss for the period  | 39   | <b>514.1</b>     | (1,294.2)   | <b>(3.2)</b>   | (3.1)       |
| Loss on available-for-sale investments taken to equity  | 39   | <b>(1.1)</b>     | –           | <b>(1.1)</b>   | –           |
| Net loss on hedge of net investment in foreign operations   | 39   | <b>(62.8)</b>    | (10.4)      | –              | –           |
| Exchange differences arising on translation of foreign operations   | 39   | <b>173.6</b>     | 14.8        | –              | –           |
| Exchange differences transferred to profit or loss on disposal of foreign operation                           | 39   | <b>(83.3)</b>    | (12.6)      | –              | –           |
| Actuarial loss on defined benefit plans   |      | <b>(64.5)</b>    | (13.9)      | <b>(23.8)</b>  | (9.8)       |
| Share of actuarial loss on defined benefit plans attributable to associates and jointly controlled entities   |      | <b>(19.5)</b>    | (10.4)      | –              | –           |
| Share of net gain in reserves attributable to associates and jointly controlled entities                      |      | <b>11.9</b>      | 163.5       | –              | –           |
| Share of gain in reserves transferred to profit or loss on disposal of jointly controlled entity              |      | <b>(0.3)</b>     | –           | –              | –           |
| Income tax on items taken directly to or transferred from equity  |      | <b>216.2</b>     | 771.3       | <b>19.9</b>    | (1.6)       |
| <b>Net (expense)/income recognised directly in equity</b>   |      | <b>(553.9)</b>   | (1,654.1)   | <b>(47.5)</b>  | 3.8         |
| Profit for the period   |      | <b>1,596.1</b>   | 229.0       | <b>1,651.9</b> | 239.1       |
| <b>Total recognised income and (expense) for the period attributable to Shareholders of the Parent Entity</b> |      | <b>1,042.2</b>   | (1,425.1)   | <b>1,604.4</b> | 242.9       |

## Reconciliation of statement of recognised income and expense to equity movements

|   | Consolidated 2009 |                             |
|---|-------------------|-----------------------------|
|   | Reserves<br>\$m   | Retained<br>earnings<br>\$m |
| Balance at beginning of financial year  | <b>501.3</b>      | <b>507.0</b>                |
| Current period movements  | <b>(489.3)</b>    | <b>(64.6)</b>               |
| Movement in reserves not reflected in statement of recognised income and expense above: |                   |                             |
| Share-based payment transactions  | <b>1.0</b>        | –                           |
| Profit for the period   | –                 | <b>1,596.1</b>              |
| Dividends paid  | –                 | <b>(236.1)</b>              |
| Balance at end of financial year  | <b>13.0</b>       | <b>1,802.4</b>              |

The statement of recognised income and expense is to be read in conjunction with the notes to the financial statements.

**Note 1 – Summary of significant accounting policies**

AGL Energy Limited (Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the Parent Entity and the consolidated financial statements of the Parent Entity and its subsidiaries.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Parent Entity and the consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial report was authorised for issue by the Directors on 20 August 2009.

**(b) Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and available-for-sale financial assets, which are measured at fair value.

The Parent Entity is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the financial report are rounded off to the nearest tenth of a million dollars, unless otherwise indicated. The financial report is presented in Australian dollars, unless otherwise noted.

The significant accounting policies that have been adopted in the preparation and presentation of the financial report are set out below.

**(c) Significant accounting judgements, estimates and assumptions**

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

**(d) Adoption of new and revised standards**

In the current year, the Parent Entity and the consolidated entity have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current annual reporting period. Adoption of these standards and interpretations has only affected the disclosures made in the financial statements. There has been no effect on profit and loss or the financial position of the Parent Entity or the consolidated entity.

**(e) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Entity and its subsidiaries (together referred to as the consolidated entity). Subsidiaries are entities controlled by the Parent Entity. Control is achieved where the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of subsidiaries have been prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity.

In preparing the consolidated financial statements, all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Parent Entity's financial statements, investments in subsidiaries are accounted for at cost.

**(f) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of the assets given, liabilities incurred or assumed and shares issued in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

**(g) Discontinued operations**

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is classified as held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (refer to Note 1(p)).

The results of discontinued operations are presented separately on the face of the income statement. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

**Note 1 – Summary of significant accounting policies (continued)****(h) Segment reporting**

A segment is a distinguishable component of the consolidated entity that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the consolidated entity's business and geographical segments. The consolidated entity's primary format for segment reporting is based on business segments. The business segments are determined based on the consolidated entity's management and internal reporting structure.

**(i) Investments in associates and jointly controlled entities**

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence generally exists when the consolidated entity holds between 20% and 50% of the voting rights of another entity. Jointly controlled entities are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

In the consolidated financial statements, investments in associates and jointly controlled entities are accounted for using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated balance sheet at cost plus post-acquisition changes in the consolidated entity's share of the net assets of the associates and jointly controlled entities, less any impairment in the value of individual investments.

The consolidated entity's share of its associates' and jointly controlled entities' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the consolidated entity's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the associate or jointly controlled entity, including any unsecured long-term receivables and loans, the consolidated entity does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

In the Parent Entity's financial statements, investments in associates and jointly controlled entities are accounted for at cost.

**(j) Jointly controlled operations and assets**

The consolidated entity has certain contractual arrangements with other venturers to engage in joint venture activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of the joint venture. The assets are used to derive benefits for the venturers.

The interests of the Parent Entity and the consolidated entity in unincorporated joint ventures are brought to account by recognising in the financial statements under the appropriate categories, the consolidated entity's proportionate share of joint venture revenues, expenses, assets and liabilities.

**(k) Foreign currency****Functional and presentation currency**

The functional and presentation currency of AGL Energy Limited and its Australian subsidiaries is Australian dollars.

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences arising on translation are recognised in the income statement in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to Note 1(ac)).

**Foreign operations**

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated into Australian dollars at exchange rates ruling at reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on translation are recognised directly in equity in the foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term money market deposits with an original maturity of less than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts and short-term money market borrowings are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdrafts that are repayable on demand. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**(m) Trade and other receivables**

Trade and other receivables are recognised at amortised cost less an allowance for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Unbilled revenue represents estimated gas and electricity services supplied to customers but unbilled at the reporting date.

### (n) Inventories

Stocks and materials are valued at the lower of cost and estimated net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in-first-out basis.

### (o) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Parent Entity financial statements. Subsequent to initial recognition, investments in associates and jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements. Further information regarding equity accounted investments is detailed in Note 1(i).

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. The consolidated entity classifies derivatives as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet. Fair value is determined in the manner described in Note 56.

#### Available-for-sale financial assets

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 56. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other financial assets in the balance sheet.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For financial assets measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment of trade receivables is recognised in accordance with the accounting policy set out in Note 1(m). An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity instruments, the reversal is recognised directly in equity.

### (p) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

### (q) Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. An area of interest refers to an individual geological area where the presence of oil or a gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual oil or gas field.

Exploration and evaluation expenditure is recognised as an exploration and evaluation asset in the year in which it is incurred, provided the rights to tenure of the area of interest are current and either:

- exploration and evaluation expenditure is expected to be recovered through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

**Note 1 – Summary of significant accounting policies (continued)**

The carrying amounts of the consolidated entity's exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in Note 1(v), to determine whether there is any indication that the assets have suffered an impairment loss.

When an oil or gas field has been approved for development, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

**(r) Oil and gas assets****Assets in development**

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings.

When commercial operation commences, the accumulated costs are transferred to oil and gas assets in production.

**Producing assets**

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

**(s) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs related to the acquisition or construction of qualifying assets are capitalised. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

|                        |  |
|------------------------|--|
| Freehold buildings     | 50 years                               |
| Leasehold improvements | lesser of lease period or 20 years     |
| Plant and equipment    | 3 to 25 years or relevant units of use |

**(t) Leased assets**

Leases are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(u) Intangible assets**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date.

**Goodwill**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit, an impairment loss is recognised. An impairment loss recognised

for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

#### Licences

Licences are carried at cost less any accumulated impairment losses. Licences are considered to have indefinite useful lives, as they were either granted in perpetuity, or there is evidence that the licences will be renewed beyond the initial term and the cost of renewal is not significant. Licences with indefinite useful lives are not amortised, but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Any impairment loss is recognised immediately in profit or loss.

#### Customer relationships and contracts

Customer relationships and contracts acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised as an expense on a straight-line basis over the period during which economic benefits are expected to be received.

#### (v) Impairment of non-financial assets excluding goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the assets may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### (w) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (x) Borrowings

Borrowings are initially recognised at fair value of the consideration received, net of transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### (y) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months of reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### Defined contribution plans

Contributions to defined contributions superannuation plans are expensed when employees have rendered service entitling them to the contributions.

#### Defined benefit plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised directly in retained earnings, in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

#### (z) Share-based payments

The consolidated entity provides benefits to employees in the form of equity-settled share-based payments, whereby employees render services in exchange for shares or rights over shares. Further information on share-based payment plans is detailed in Note 52 to the financial statements.

The fair value of share performance rights (SPRs) granted to eligible employees under the AGL Long-Term Incentive Plan is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the SPRs. The fair value at grant date is determined by an independent valuer using the Monte Carlo simulation method.

**Note 1 – Summary of significant accounting policies (continued)**

At each reporting date, the consolidated entity revises its estimate of the number of SPRs expected to vest. The amount recognised as an expense is only adjusted when the SPRs do not vest due to non-market related conditions.

Under the AGL Share Reward Plan, shares are issued to eligible employees for no consideration and vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve.

**(aa) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the obligation will be required to be settled and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The unwinding of the discount on the provision is recognised in the income statement as part of finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**Environmental restoration**

A provision for environmental restoration is recognised when there is a present obligation as a result of exploration, development and production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and current technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the environmental restoration provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated/ amortised on the same basis as the related asset. Changes in the estimate of the provision for environmental restoration are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

**(ab) Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

**(ac) Derivative financial instruments and hedging**

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and energy price risks arising in the normal course of business. The use of derivatives is subject to policies, procedures and limits approved by the Board of Directors.

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

The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations. The consolidated entity currently does not have fair value hedges. Derivatives that do not qualify for hedge accounting are required to be accounted for as trading instruments. Further information on derivative financial instruments is detailed in Note 56 to the financial statements.

The fair value of a hedging derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months; it is classified as a current asset or current liability when the remaining maturity of the instrument is less than 12 months. Trading derivatives are classified as a current asset or a current liability.

At the inception of the hedge relationship, the consolidated entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedge risk is amortised to profit or loss from that date.

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

#### Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instruments relating to the effective portion of the hedge is recognised in the foreign currency translation reserve and the gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

#### Derivatives that do not qualify for hedge accounting – economic hedges

The consolidated entity has entered into certain derivative instruments for economic hedging purposes under the Board approved risk management policies which do not satisfy the requirements for hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*. These derivatives are therefore required to be categorised as held for trading and are classified in the balance sheet as economic hedges. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

#### (ad) Issued capital

Ordinary shares are classified as equity. Ordinary shares issued by the consolidated entity are recorded at the proceeds received, less transaction costs directly attributable to the issue of new shares, net of any tax effects.

#### (ae) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Revenue from gas and electricity services supplied is recognised once the gas and electricity has been delivered to the customer and is measured through a regular review of usage meters. Customers are billed on a periodic and regular basis. As at each reporting date, gas and electricity revenue includes an accrual for sales delivered to customers but not yet billed (unbilled revenue).

Revenue from the provision of services, including revenue from construction contracts, represents consideration received or receivable determined, where appropriate, in accordance with the percentage of completion method, with the stage of completion of each contract determined by reference to the proportion that contract costs for work performed to date bears to the estimated total contract costs.

Revenue from the sale of crude oil is recognised after each shipment is loaded and title passes to the customer.

Dividend income is recognised when the consolidated entity's right to receive the payment is established.

#### (af) Net financing costs

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities, unwinding of the effect of discounting on provisions and gains and losses on certain hedging instruments that are recognised in the income statement.

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

#### (ag) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### (ah) Income tax

##### Current tax

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

##### Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Parent Entity/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

**Note 1 – Summary of significant accounting policies (continued)****Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the income statement, except where it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**Tax consolidation**

The Parent Entity and its wholly-owned Australian resident subsidiaries formed a tax-consolidated group under Australian taxation law with effect from 25 October 2006. AGL Energy Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Parent Entity (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Parent Entity and each member of the group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 9 to the financial statements.

**(ai) Earnings per share (EPS)**

Basic EPS is calculated as profit after tax attributable to Shareholders of the Parent Entity divided by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated as profit after tax attributable to Shareholders of the Parent Entity divided by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares.

**(aj) Standards and Interpretations issued not yet effective**

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2009. These are outlined in the tables below.

| Reference   | Title  | Summary   | Effective for annual reporting periods beginning on or after | Impact on the consolidated entity's financial report   | Application date for the consolidated entity |
|-------------|--|---|--|--|--|
| AASB 3      | <i>Business Combinations</i> (revised)   | Adopts the acquisition method to account for business combinations; acquisition costs are expensed; contingent consideration is recognised at fair value on acquisition date.   | 1 July 2009  | Any impact will depend on whether the consolidated entity enters into any business combinations subsequent to the adoption of the standard.  | 1 July 2009                                  |
| AASB 8      | <i>Operating Segments</i>  | New standard replacing AASB 114 <i>Segment Reporting</i> . Disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment's performance and to allocate resources to them.  | 1 January 2009   | AASB 8 is a disclosure standard so it will have no direct impact on the amounts included in the consolidated entity's financial report. However, it will result in additional disclosure included in the consolidated entity's financial report. | 1 July 2009                                  |
| AASB 101    | <i>Presentation of Financial Statements</i> (revised September 2007)                                     | Changes the titles of financial statements; requires all non-owner changes in equity be presented in statement of comprehensive income; additional statement of financial position at beginning of earliest comparative period required for changes in accounting policy or reclassifications; income tax relating to each component of comprehensive income to be disclosed. | 1 January 2009   | The changes will have no material impact on the amounts included in the consolidated entity's financial report. It will only result in changes in the presentation of financial statements in the consolidated entity's financial report.        | 1 July 2009                                  |
| AASB 123    | <i>Borrowing Costs</i> (revised)   | Removes the option of expensing borrowing costs related to the acquisition, construction or production of a qualifying asset.   | 1 January 2009   | No impact as the consolidated entity currently adopts the policy of capitalising borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets.  | 1 July 2009                                  |
| AASB 2009-2 | <i>Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments</i> | Significantly extends the disclosure requirements of AASB 7 <i>Financial Instruments: Disclosures</i> . Amendments expand the disclosures required in respect of fair value measurements recognised in the statement of financial position and amendments have also been made to the liquidity risk disclosures.  | 1 January 2009   | AASB 7 is a disclosure standard so it will have no direct impact on the amounts included in the consolidated entity's financial report. However, it will result in additional disclosure included in the consolidated entity's financial report. | 1 July 2009                                  |

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the Parent Entity.

| Reference         | Title   | Effective for annual reporting periods beginning on or after | Application date for the consolidated entity |
|-------------------|---|--|--|
| AASB 127          | <i>Consolidated and Separate Financial Statements (revised)</i>   | 1 January 2009   | 1 July 2009                                  |
| AASB 2007-3       | <i>Amendments to Australian Accounting Standards arising from AASB 8</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2007-6       | <i>Amendments to Australian Accounting Standards arising from AASB 123</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2007-8       | <i>Amendments to Australian Accounting Standards arising from AASB 101</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2007-10      | <i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2008-1       | <i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations</i>                      | 1 January 2009   | 1 July 2009                                  |
| AASB 2008-2       | <i>Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation</i>          | 1 January 2009   | 1 July 2009                                  |
| AASB 2008-3       | <i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127</i>   | 1 July 2009  | 1 July 2009                                  |
| AASB 2008-5       | <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>                                     | 1 January 2009   | 1 July 2009                                  |
| AASB 2008-6       | <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>                             | 1 July 2009  | 1 July 2009                                  |
| AASB 2008-7       | <i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2008-8       | <i>Amendments to Australian Accounting Standards – Eligible Hedged Items</i>  | 1 July 2009  | 1 July 2009                                  |
| AASB 2008-13      | <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners</i> | 1 July 2009  | 1 July 2009                                  |
| AASB 2009-4       | <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>                                     | 1 July 2009  | 1 July 2009                                  |
| AASB 2009-5       | <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>                             | 1 January 2010   | 1 July 2010                                  |
| AASB 2009-6       | <i>Amendments to Australian Accounting Standards</i>  | 1 January 2009   | 1 July 2009                                  |
| AASB 2009-7       | <i>Amendments to Australian Accounting Standards</i>  | 1 July 2009  | 1 July 2009                                  |
| AASB 2009-8       | <i>Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions</i>                            | 1 January 2010   | 1 July 2010                                  |
| Interpretation 16 | <i>Hedges of a Net Investment in a Foreign Operation</i>  | 1 October 2008   | 1 July 2009                                  |
| Interpretation 17 | <i>Distributions of Non-cash Assets to Owners</i>   | 1 July 2009  | 1 July 2009                                  |
| Interpretation 18 | <i>Transfer of Assets from Customers</i>  | 1 July 2009  | 1 July 2009                                  |

**Note 2 – Significant accounting judgements, estimates and assumptions**

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

**Impairment of goodwill and other intangibles with indefinite useful lives**

The consolidated entity determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the recoverable amount of the cash-generating units, using a value in use discounted methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in the estimation of recoverable amount are discussed in Note 24.

**Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often based on estimates and judgements including future cash flows, revenue streams and value in use calculations.

**Exploration and evaluation expenditure**

The consolidated entity's policy for exploration and evaluation expenditure is stated in Note 1(q). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

**Fair value of financial instruments**

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices and rates. Refer to Note 56 for further details.

**Classification of assets and liabilities as held for sale**

The consolidated entity classifies assets and liabilities as held for sale when their carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and management must be committed to selling the assets through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

**Provision for environmental restoration**

The consolidated entity estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of restoration activities required and available technologies. The carrying amount of the provision for environmental restoration is disclosed in Note 35.

**Defined benefit superannuation plans**

Various actuarial assumptions are utilised in the determination of the consolidated entity's defined benefit obligations. These assumptions and the related carrying amounts are discussed in Note 51.

**Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Monte Carlo simulation method, with the assumptions detailed in Note 52. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**Note 3 – Segment information**

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure. The consolidated entity comprises the following four main business segments:

Retail Energy – Buying and selling of gas and electricity.

Merchant Energy – Buying and selling of gas and electricity; operating and maintaining of power generation infrastructure; and extraction and sale of liquid petroleum gas.

Upstream Gas – Exploration, extraction, production and sale of conventional and coal seam methane gas; exploration and development of other renewable energy sources including geothermal.

Energy Investments – Investments in energy entities.

Gas and Power Development was previously reported as a separate segment. The businesses within this segment are now reported under the Merchant Energy and Upstream Gas segments as a result of an internal reorganisation. Accordingly, the June 2008 comparative segment information has been restated in accordance with the new reporting basis. The restatement has resulted in no adjustment to the consolidated entity's totals for the information reported in this Note.

Inter-segment pricing is determined on an arm's length basis. Inter-segment revenue is eliminated on consolidation.

| Business segments<br>2009   | Continuing operations |                        |                     |                           |                     |                    |                                    | Discontinued operations               |   |                                      |                                      |                     |
|---|-----------------------|------------------------|---------------------|---------------------------|---------------------|--------------------|------------------------------------|---------------------------------------|---|--------------------------------------|--------------------------------------|---------------------|
|   | Retail Energy<br>\$m  | Merchant Energy<br>\$m | Upstream Gas<br>\$m | Energy Investments<br>\$m | Eliminations<br>\$m | Unallocated<br>\$m | Total continuing<br>operations \$m | Upstream Gas –<br>PNG oil and gas \$m | Upstream Gas –<br>North Qld gas<br>pipeline \$m | Energy<br>Investments –<br>Chile \$m | Total discontinued<br>operations \$m | Consolidated<br>\$m |
| Revenue   | 4,988.0               | 854.2                  | 52.0                | 16.1                      | –                   | –                  | 5,910.3                            | 84.7                                  | 0.7   | –                                    | 85.4                                 | 5,995.7             |
| Inter-segment revenue   | 32.3                  | 2,808.5                | 11.3                | –                         | (2,852.5)           | –                  | (0.4)                              | –                                     | 0.4   | –                                    | 0.4                                  | –                   |
|   | 5,020.3               | 3,662.7                | 63.3                | 16.1                      | (2,852.5)           | –                  | 5,909.9                            | 84.7                                  | 1.1   | –                                    | 85.8                                 | 5,995.7             |
| Other income  | –                     | 55.0                   | 754.4               | 149.9                     | –                   | –                  | 959.3                              | 942.2                                 | 23.1  | –                                    | 965.3                                | 1,924.6             |
| <b>Segment revenue</b>  | <b>5,020.3</b>        | <b>3,717.7</b>         | <b>817.7</b>        | <b>166.0</b>              | <b>(2,852.5)</b>    | <b>–</b>           | <b>6,869.2</b>                     | <b>1,026.9</b>                        | <b>24.2</b>                                     | <b>–</b>                             | <b>1,051.1</b>                       | <b>7,920.3</b>      |
| EBIT (before significant<br>items and financial<br>instruments)                                 | 265.5                 | 436.1                  | (6.9)               | 44.0                      | –                   | (131.3)            | 607.4                              | 49.4                                  | 0.8   | –                                    | 50.2                                 | 657.6               |
| Significant income/<br>(expense) items  | (69.4)                | (15.6)                 | 744.3               | 149.9                     | –                   | (23.3)             | 785.9                              | 937.9                                 | 23.1  | –                                    | 961.0                                | 1,746.9             |
| Changes in fair value of<br>financial instruments   | –                     | (325.7)                | 23.0                | –                         | –                   | –                  | (302.7)                            | (33.6)                                | –   | –                                    | (33.6)                               | (336.3)             |
| <b>Segment EBIT<br/>result</b>  | <b>196.1</b>          | <b>94.8</b>            | <b>760.4</b>        | <b>193.9</b>              | <b>–</b>            | <b>(154.6)</b>     | <b>1,090.6</b>                     | <b>953.7</b>                          | <b>23.9</b>                                     | <b>–</b>                             | <b>977.6</b>                         | <b>2,068.2</b>      |
| Finance income  | 1.6                   | 12.4                   | 0.1                 | –                         | –                   | 39.1               | 53.2                               | 0.3                                   | –   | –                                    | 0.3                                  | 53.5                |
| Finance costs   | –                     | –                      | –                   | –                         | –                   | (132.5)            | (132.5)                            | (2.5)                                 | –   | –                                    | (2.5)                                | (135.0)             |
| <b>Profit before tax</b>  | <b>197.7</b>          | <b>107.2</b>           | <b>760.5</b>        | <b>193.9</b>              | <b>–</b>            | <b>(248.0)</b>     | <b>1,011.3</b>                     | <b>951.5</b>                          | <b>23.9</b>                                     | <b>–</b>                             | <b>975.4</b>                         | <b>1,986.7</b>      |
| Income tax expense  |                       |                        |                     |                           |                     |                    | (293.1)                            |                                       |   |                                      | (97.5)                               | (390.6)             |
| <b>Profit after tax</b>   |                       |                        |                     |                           |                     |                    | <b>718.2</b>                       |                                       |   |                                      | <b>877.9</b>                         | <b>1,596.1</b>      |
| <b>Segment assets</b>   | <b>3,469.0</b>        | <b>3,764.3</b>         | <b>1,120.9</b>      | <b>15.7</b>               | <b>–</b>            | <b>664.8</b>       | <b>9,034.7</b>                     | <b>–</b>                              | <b>–</b>  | <b>–</b>                             | <b>–</b>                             | <b>9,034.7</b>      |
| <b>Segment liabilities</b>  | <b>497.7</b>          | <b>1,066.4</b>         | <b>217.3</b>        | <b>2.2</b>                | <b>–</b>            | <b>1,405.4</b>     | <b>3,189.0</b>                     | <b>–</b>                              | <b>–</b>  | <b>–</b>                             | <b>–</b>                             | <b>3,189.0</b>      |
| <b>Other segment<br/>information</b>  |                       |                        |                     |                           |                     |                    |                                    |                                       |   |                                      |                                      |                     |
| Share of profits of<br>associates and jointly<br>controlled entities using<br>the equity method | –                     | 23.7                   | 2.7                 | 28.0                      | –                   | –                  | 54.4                               | –                                     | –   | –                                    | –                                    | 54.4                |
| Investments accounted<br>for using the equity<br>method   | 0.9                   | 163.0                  | 3.6                 | 15.1                      | –                   | –                  | 182.6                              | –                                     | –   | –                                    | –                                    | 182.6               |
| Acquisition of<br>non-current assets  | 54.5                  | 341.8                  | 793.7               | –                         | –                   | 21.4               | 1,211.4                            | 20.5                                  | –   | –                                    | 20.5                                 | 1,231.9             |
| Depreciation and<br>amortisation  | 36.2                  | 54.7                   | 20.4                | –                         | –                   | 11.7               | 123.0                              | –                                     | –   | –                                    | –                                    | 123.0               |
| Impairment losses   | 18.4                  | 15.7                   | 1.3                 | –                         | –                   | 1.8                | 37.2                               | –                                     | –   | –                                    | –                                    | 37.2                |
| Other non-cash<br>expenses  | 66.7                  | 8.4                    | 1.4                 | –                         | –                   | 11.0               | 87.5                               | –                                     | –   | –                                    | –                                    | 87.5                |

## Note 3 – Segment information (continued)

| Business segments<br>2008  | Continuing operations |                        |                     |                           |                     |                    |                                       | Discontinued operations               |   |                                      |                                      |                     |
|--|-----------------------|------------------------|---------------------|---------------------------|---------------------|--------------------|---------------------------------------|---------------------------------------|---|--------------------------------------|--------------------------------------|---------------------|
|  | Retail Energy<br>\$m  | Merchant Energy<br>\$m | Upstream Gas<br>\$m | Energy Investments<br>\$m | Eliminations<br>\$m | Unallocated<br>\$m | Total continuing<br>operations<br>\$m | Upstream Gas –<br>PNG oil and gas \$m | Upstream Gas –<br>North Qld gas<br>pipeline \$m | Energy<br>Investments –<br>Chile \$m | Total discontinued<br>operations \$m | Consolidated<br>\$m |
| Revenue  | 4,707.0               | 655.8                  | 58.7                | 10.6                      | –                   | 0.8                | 5,432.9                               | 167.9                                 | 5.9   | 46.8                                 | 220.6                                | 5,653.5             |
| Inter-segment revenue  | 19.6                  | 2,614.2                | 6.2                 | –                         | (2,643.3)           | –                  | (3.3)                                 | –                                     | 3.3   | –                                    | 3.3                                  | –                   |
|  | 4,726.6               | 3,270.0                | 64.9                | 10.6                      | (2,643.3)           | 0.8                | 5,429.6                               | 167.9                                 | 9.2   | 46.8                                 | 223.9                                | 5,653.5             |
| Other income   | –                     | 40.0                   | 23.3                | 123.7                     | –                   | (0.5)              | 186.5                                 | 33.5                                  | –   | 3.7                                  | 37.2                                 | 223.7               |
| <b>Segment revenue</b>   | <b>4,726.6</b>        | <b>3,310.0</b>         | <b>88.2</b>         | <b>134.3</b>              | <b>(2,643.3)</b>    | <b>0.3</b>         | <b>5,616.1</b>                        | <b>201.4</b>                          | <b>9.2</b>                                      | <b>50.5</b>                          | <b>261.1</b>                         | <b>5,877.2</b>      |
| EBIT (before significant items and financial instruments)                              | 269.5                 | 327.5                  | 25.1                | 48.5                      | –                   | (98.1)             | 572.5                                 | 85.9                                  | 7.3   | 13.5                                 | 106.7                                | 679.2               |
| Significant (expense)/income items   | (33.2)                | (3.5)                  | 77.1                | 123.7                     | –                   | (67.0)             | 97.1                                  | (154.7)                               | –   | (40.0)                               | (194.7)                              | (97.6)              |
| Changes in fair value of financial instruments   | –                     | (258.9)                | (11.6)              | –                         | –                   | –                  | (270.5)                               | 7.6                                   | –   | –                                    | 7.6                                  | (262.9)             |
| <b>Segment EBIT result</b>   | <b>236.3</b>          | <b>65.1</b>            | <b>90.6</b>         | <b>172.2</b>              | <b>–</b>            | <b>(165.1)</b>     | <b>399.1</b>                          | <b>(61.2)</b>                         | <b>7.3</b>                                      | <b>(26.5)</b>                        | <b>(80.4)</b>                        | <b>318.7</b>        |
| Finance income   | 3.4                   | 13.4                   | 0.2                 | 11.7                      | –                   | 7.8                | 36.5                                  | 1.7                                   | 0.1   | 0.9                                  | 2.7                                  | 39.2                |
| Finance costs  | –                     | –                      | –                   | –                         | –                   | (187.6)            | (187.6)                               | (1.6)                                 | –   | (1.9)                                | (3.5)                                | (191.1)             |
| <b>Profit/(loss) before tax</b>  | <b>239.7</b>          | <b>78.5</b>            | <b>90.8</b>         | <b>183.9</b>              | <b>–</b>            | <b>(344.9)</b>     | <b>248.0</b>                          | <b>(61.1)</b>                         | <b>7.4</b>                                      | <b>(27.5)</b>                        | <b>(81.2)</b>                        | <b>166.8</b>        |
| Income tax income/(expense)  |                       |                        |                     |                           |                     |                    | 68.3                                  |                                       |   |                                      | (6.1)                                | 62.2                |
| <b>Profit/(loss) after tax</b>   |                       |                        |                     |                           |                     |                    | <b>316.3</b>                          |                                       |   |                                      | <b>(87.3)</b>                        | <b>229.0</b>        |
| <b>Segment assets</b>  | <b>3,377.1</b>        | <b>4,521.3</b>         | <b>822.0</b>        | <b>85.2</b>               | <b>–</b>            | <b>188.0</b>       | <b>8,993.6</b>                        | <b>362.4</b>                          | <b>96.9</b>                                     | <b>–</b>                             | <b>459.3</b>                         | <b>9,452.9</b>      |
| <b>Segment liabilities</b>   | <b>528.3</b>          | <b>1,436.0</b>         | <b>291.5</b>        | <b>3.9</b>                | <b>–</b>            | <b>2,160.3</b>     | <b>4,420.0</b>                        | <b>39.5</b>                           | <b>13.5</b>                                     | <b>–</b>                             | <b>53.0</b>                          | <b>4,473.0</b>      |
| <b>Other segment information</b>   |                       |                        |                     |                           |                     |                    |                                       |                                       |   |                                      |                                      |                     |
| Share of profits of associates and jointly controlled entities using the equity method | –                     | (5.1)                  | 66.9                | 38.0                      | –                   | –                  | 99.8                                  | –                                     | –   | –                                    | –                                    | 99.8                |
| Investments accounted for using the equity method                                      | 0.9                   | 147.0                  | 423.1               | 14.0                      | –                   | –                  | 585.0                                 | –                                     | –   | –                                    | –                                    | 585.0               |
| Acquisition of non-current assets  | 87.6                  | 824.1                  | 128.6               | –                         | –                   | 33.2               | 1,073.5                               | 31.1                                  | 89.7  | 1.8                                  | 122.6                                | 1,196.1             |
| Depreciation and amortisation  | 23.3                  | 51.2                   | 16.5                | –                         | –                   | 11.3               | 102.3                                 | 61.5                                  | –   | 4.8                                  | 66.3                                 | 168.6               |
| Impairment losses  | 0.7                   | 3.3                    | 5.4                 | –                         | –                   | 54.4               | 63.8                                  | –                                     | –   | 37.0                                 | 37.0                                 | 100.8               |
| Other non-cash expenses  | 50.1                  | 6.1                    | 1.0                 | –                         | –                   | 8.9                | 66.1                                  | –                                     | –   | 0.8                                  | 0.8                                  | 66.9                |

## Geographical segments

The consolidated entity's geographical segments are determined based on the location of the consolidated entity's assets.

|                  | Segment revenue |             | Assets         |             | Acquisition of non-current assets |             |
|------------------|-----------------|-------------|----------------|-------------|-----------------------------------|-------------|
|                  | 2009<br>\$m     | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m                       | 2008<br>\$m |
| Australia        | <b>6,893.4</b>  | 5,651.2     | <b>9,034.7</b> | 8,970.6     | <b>1,211.4</b>                    | 1,163.2     |
| Papua New Guinea | <b>1,026.9</b>  | 175.5       | –              | 482.3       | <b>20.5</b>                       | 31.1        |
| Chile            | –               | 50.5        | –              | –           | –                                 | 1.8         |
|                  | <b>7,920.3</b>  | 5,877.2     | <b>9,034.7</b> | 9,452.9     | <b>1,231.9</b>                    | 1,196.1     |

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |

### Note 4 – Revenue

#### Continuing operations

|                                    |  |                |         |              |       |
|------------------------------------|--|----------------|---------|--------------|-------|
| Revenue from sale of goods         |  | <b>5,818.9</b> | 5,335.5 | <b>38.9</b>  | 44.3  |
| Revenue from rendering of services |  | <b>80.4</b>    | 88.5    | <b>10.1</b>  | 9.9   |
| Dividends                          |  |                |         |              |       |
| Subsidiaries                       |  | –              | –       | <b>786.9</b> | 110.0 |
| Jointly controlled entities        |  | <b>10.6</b>    | 5.6     | <b>10.6</b>  | 13.6  |
|                                    |  | <b>5,909.9</b> | 5,429.6 | <b>846.5</b> | 177.8 |

#### Discontinued operations

|  |  |             |        |   |   |
|--|--|-------------|--------|---|---|
| Revenue from sale of goods                   |  | <b>71.5</b> | 227.7  | – | – |
| Gain/(loss) in fair value of oil derivatives |  | <b>13.6</b> | (10.7) | – | – |
|  |  | <b>85.1</b> | 217.0  | – | – |
| Revenue from rendering of services           |  | <b>0.7</b>  | 6.9    | – | – |
|  |  | <b>85.8</b> | 223.9  | – | – |

### Note 5 – Other income

#### Continuing operations

|   |  |              |       |                |       |
|---|--|--------------|-------|----------------|-------|
| Gain on disposal of investments                 |  | <b>903.5</b> | 146.0 | <b>1,003.0</b> | 124.3 |
| Development fee income                          |  | <b>54.6</b>  | 40.0  | <b>0.9</b>     | 40.0  |
| Gain on disposal of businesses and subsidiaries |  | <b>0.4</b>   | –     | <b>0.4</b>     | –     |
| Net foreign exchange losses                     |  | –            | (0.5) | –              | (0.5) |
| Other   |  | <b>0.8</b>   | 1.0   | <b>0.6</b>     | 0.1   |
|   |  | <b>959.3</b> | 186.5 | <b>1,004.9</b> | 163.9 |

#### Discontinued operations

|   |  |              |      |             |      |
|---|--|--------------|------|-------------|------|
| Gain on disposal of businesses and subsidiaries |  | <b>800.2</b> | –    | <b>25.1</b> | –    |
| Gain in fair value of oil derivatives           |  | <b>160.8</b> | –    | –           | –    |
| Net foreign exchange gains                      |  | –            | 29.6 | –           | 14.9 |
| Other   |  | <b>4.3</b>   | 7.6  | –           | –    |
|   |  | <b>965.3</b> | 37.2 | <b>25.1</b> | 14.9 |

|  | Consolidated   |             | Parent Entity |             |
|--|----------------|-------------|---------------|-------------|
|  | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 6 – Expenses</b>                                     |                |             |               |             |
| <b>Continuing operations</b>                                 |                |             |               |             |
| Cost of sales  | <b>4,756.6</b> | 4,388.4     | <b>41.3</b>   | 19.6        |
| Loss/(gain) in fair value of electricity derivatives         | <b>302.7</b>   | 263.1       | <b>(23.1)</b> | 11.6        |
|  | <b>5,059.3</b> | 4,651.5     | <b>18.2</b>   | 31.2        |
| Administrative expenses                                      | <b>141.9</b>   | 123.0       | <b>0.9</b>    | 5.7         |
| Employee benefits expense                                    | <b>283.4</b>   | 255.6       | <b>3.0</b>    | 2.8         |
| Other expenses   |                |             |               |             |
| Impairment of trade receivables (net of bad debts recovered) | <b>54.8</b>    | 35.3        | –             | –           |
| Impairment of property, plant and equipment                  | <b>37.2</b>    | 58.4        | <b>1.3</b>    | 2.2         |
| Impairment of exploration and evaluation assets              | –              | 5.4         | –             | 5.4         |
| Impairment of loans to subsidiaries                          | –              | –           | –             | 88.8        |
| Phoenix Change Program one-off costs                         | <b>49.5</b>    | 29.1        | –             | –           |
| Redundancy, termination and integration costs                | <b>3.6</b>     | 11.7        | –             | –           |
| Demerger costs   | <b>16.1</b>    | 22.3        | <b>1.8</b>    | –           |
| Net loss on disposal of property, plant and equipment        | <b>7.8</b>     | 2.1         | –             | –           |
| Operating lease rental expenses                              | <b>17.3</b>    | 14.6        | <b>2.7</b>    | –           |
| Other  | <b>39.1</b>    | 5.5         | <b>0.5</b>    | –           |
|  | <b>5,710.0</b> | 5,214.5     | <b>28.4</b>   | 136.1       |
| <b>Discontinued operations</b>                               |                |             |               |             |
| Cost of sales  | <b>18.0</b>    | 67.1        | –             | –           |
| Administrative expenses                                      | –              | 3.7         | –             | –           |
| Employee benefits expense                                    | <b>0.1</b>     | 3.5         | –             | –           |
| Other expenses   |                |             |               |             |
| Loss on disposal of subsidiaries                             | –              | 3.0         | –             | 51.9        |
| Impairment of intangible assets                              | –              | 18.2        | –             | –           |
| Impairment of property, plant and equipment                  | –              | 18.8        | –             | –           |
| Loss in fair value of oil derivatives de-designated          | –              | 154.7       | –             | –           |
| Net foreign exchange losses                                  | <b>53.0</b>    | –           | <b>0.4</b>    | –           |
| Other  | <b>2.4</b>     | 6.2         | –             | –           |
|  | <b>73.5</b>    | 275.2       | <b>0.4</b>    | 51.9        |

|  | Consolidated  |             | Parent Entity  |             |
|--|---------------|-------------|----------------|-------------|
|  | 2009<br>\$m   | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Note 7 – Net financing costs/(income)</b> |               |             |                |             |
| <b>Finance income</b>                        |               |             |                |             |
| Interest income                              |               |             |                |             |
| Subsidiaries                                 | –             | –           | <b>376.9</b>   | 388.4       |
| Associates                                   | <b>11.2</b>   | 21.8        | <b>11.2</b>    | 21.8        |
| Other entities                               | <b>42.3</b>   | 17.4        | <b>38.9</b>    | 7.4         |
|  | <b>53.5</b>   | 39.2        | <b>427.0</b>   | 417.6       |
| Attributable to:                             |               |             |                |             |
| Continuing operations                        | <b>53.2</b>   | 36.5        | <b>420.5</b>   | 389.3       |
| Discontinued operations                      | <b>0.3</b>    | 2.7         | <b>6.5</b>     | 28.3        |
|  | <b>53.5</b>   | 39.2        | <b>427.0</b>   | 417.6       |
| <b>Finance costs</b>                         |               |             |                |             |
| Interest expense                             |               |             |                |             |
| Subsidiaries                                 | –             | –           | <b>91.1</b>    | 102.0       |
| Other entities                               | <b>126.8</b>  | 182.8       | <b>124.5</b>   | 178.8       |
| Less finance costs capitalised               | <b>(21.8)</b> | (12.8)      | –              | –           |
| Unwinding of discounts on provisions         | <b>14.0</b>   | 14.6        | –              | 0.2         |
| Other finance costs                          | <b>16.0</b>   | 6.5         | <b>16.0</b>    | 6.5         |
|  | <b>135.0</b>  | 191.1       | <b>231.6</b>   | 287.5       |
| Attributable to:                             |               |             |                |             |
| Continuing operations                        | <b>132.5</b>  | 187.6       | <b>231.6</b>   | 287.5       |
| Discontinued operations                      | <b>2.5</b>    | 3.5         | –              | –           |
|  | <b>135.0</b>  | 191.1       | <b>231.6</b>   | 287.5       |
| <b>Net financing costs/(income)</b>          |               |             |                |             |
| Attributable to:                             |               |             |                |             |
| Continuing operations                        | <b>79.3</b>   | 151.1       | <b>(188.9)</b> | (101.8)     |
| Discontinued operations                      | <b>2.2</b>    | 0.8         | <b>(6.5)</b>   | (28.3)      |
|  | <b>81.5</b>   | 151.9       | <b>(195.4)</b> | (130.1)     |

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 7.0% (2008: 7.3%).

|  | Consolidated   |             | Parent Entity  |             |
|--|----------------|-------------|----------------|-------------|
|  | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Note 8 – Profit before income tax</b>   |                |             |                |             |
| Profit before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations. |                |             |                |             |
| Depreciation and amortisation  |                |             |                |             |
| Property, plant and equipment  | <b>80.3</b>    | 73.4        | <b>3.0</b>     | 3.2         |
| Oil and gas assets   | <b>14.7</b>    | 74.2        | <b>10.7</b>    | 9.5         |
| Intangible assets  | <b>22.2</b>    | 16.7        | <b>4.0</b>     | 2.0         |
| Other  | <b>5.8</b>     | 4.3         | –              | –           |
|  | <b>123.0</b>   | 168.6       | <b>17.7</b>    | 14.7        |
| Attributable to:   |                |             |                |             |
| Continuing operations  | <b>123.0</b>   | 102.3       | <b>17.7</b>    | 14.7        |
| Discontinued operations  | –              | 66.3        | –              | –           |
|  | <b>123.0</b>   | 168.6       | <b>17.7</b>    | 14.7        |
| Employee benefits expense  |                |             |                |             |
| Wages and salaries   | <b>240.5</b>   | 225.8       | –              | –           |
| Defined benefit superannuation plans   | <b>2.2</b>     | 2.2         | <b>0.2</b>     | 0.7         |
| Defined contribution superannuation plans  | <b>10.9</b>    | 8.4         | –              | –           |
| Share-based payment plans  | <b>2.8</b>     | 2.1         | <b>2.8</b>     | 2.1         |
| Other employee benefits  | <b>27.1</b>    | 20.6        | –              | –           |
|  | <b>283.5</b>   | 259.1       | <b>3.0</b>     | 2.8         |
| <b>Significant income/(expense) items</b>  |                |             |                |             |
| Profit before tax from continuing and discontinued operations includes the following significant income/(expense) items:   |                |             |                |             |
| Gain on disposal of investment in Queensland Gas Company Limited (QGC)   | <b>753.6</b>   | –           | <b>846.4</b>   | –           |
| Gain on deemed disposal on equity dilution in QGC  | –              | 22.3        | –              | –           |
| Gain on disposal of investment in Auscom Holdings Pty Limited  | <b>149.9</b>   | –           | <b>156.6</b>   | –           |
| Gain on disposal of investment in AlintaAGL Pty Limited  | –              | 123.7       | –              | 124.3       |
| Gain/(loss) on disposal of PNG oil and gas interests   | <b>777.1</b>   | –           | <b>(3.2)</b>   | –           |
| Gain on disposal of North Queensland gas pipeline business   | <b>23.1</b>    | –           | <b>28.2</b>    | –           |
| Loss on disposal of Chile operations   | –              | (3.0)       | –              | (51.9)      |
| Gain on disposal of subsidiary   | <b>0.4</b>     | –           | <b>0.4</b>     | –           |
| Gain in fair value of oil derivatives  | <b>160.8</b>   | –           | –              | –           |
| Share of profits from QGC arising from the sale of a 20% interest in a coal seam gas acreage   | –              | 60.3        | –              | –           |
| Loss in fair value of oil derivatives de-designated  | –              | (154.7)     | –              | –           |
| Impairment of non-current assets net of writeback of lease incentive   | <b>(37.2)</b>  | (83.1)      | <b>(1.3)</b>   | (7.6)       |
| Impairment of loans to subsidiaries  | –              | –           | –              | (88.8)      |
| Demerger costs   | <b>(16.1)</b>  | (22.3)      | <b>(1.8)</b>   | –           |
| Phoenix Change Program one-off costs   | <b>(49.5)</b>  | (29.1)      | –              | –           |
| Redundancy, termination and integration costs  | <b>(3.6)</b>   | (11.7)      | –              | –           |
| Loss on disposal of property, plant and equipment  | <b>(7.8)</b>   | –           | –              | –           |
| Provision for onerous contract   | <b>(3.8)</b>   | –           | –              | –           |
|  | <b>1,746.9</b> | (97.6)      | <b>1,025.3</b> | (24.0)      |

|  | Consolidated   |             | Parent Entity  |             |
|--|----------------|-------------|----------------|-------------|
|  | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| Income tax (expense)/income applicable:  |                |             |                |             |
| Gain on disposal of investment in Queensland Gas Company Limited (QGC)                                 | <b>(247.3)</b> | –           | <b>(253.9)</b> | –           |
| Gain on deemed disposal on equity dilution in QGC  | –              | (6.7)       | –              | –           |
| Gain on disposal of investment in Auscom Holdings Pty Limited  | <b>(30.0)</b>  | –           | <b>(30.0)</b>  | –           |
| Gain on disposal of investment in AlintaAGL Pty Limited  | –              | (37.3)      | –              | (37.3)      |
| Gain on disposal of PNG oil and gas interests  | <b>(31.3)</b>  | –           | <b>(14.3)</b>  | –           |
| Gain on disposal of North Queensland gas pipeline business   | <b>(9.6)</b>   | –           | <b>(9.6)</b>   | –           |
| Loss on disposal of Chile operations   | <b>(18.5)</b>  | 30.4        | <b>(18.5)</b>  | 33.0        |
| Gain on disposal of subsidiary   | <b>(0.1)</b>   | –           | <b>(0.1)</b>   | –           |
| Gain in fair value of oil derivatives  | <b>(85.8)</b>  | –           | –              | –           |
| Share of profits from QGC arising from the sale of a 20% interest in a coal seam gas acreage           | –              | –           | –              | –           |
| Loss in fair value of oil derivatives de-designated  | –              | 77.4        | –              | –           |
| Impairment of non-current assets, net of writeback of lease incentive                                  | <b>11.2</b>    | 13.8        | <b>0.4</b>     | 2.3         |
| Impairment of loans to subsidiaries  | –              | –           | –              | –           |
| Demerger costs   | <b>4.3</b>     | 6.7         | –              | –           |
| Phoenix Change Program one-off costs   | <b>14.8</b>    | 8.7         | –              | –           |
| Redundancy, termination and integration costs  | <b>1.1</b>     | 3.5         | –              | –           |
| Loss on disposal of property, plant and equipment  | <b>2.3</b>     | –           | –              | –           |
| Provision for onerous contract   | <b>1.1</b>     | –           | –              | –           |
|  | <b>(387.8)</b> | 96.5        | <b>(326.0)</b> | (2.0)       |
| Reversal of previous write-down/(write-down) of deferred tax assets relating to PNG operations         | <b>67.8</b>    | (59.0)      | –              | –           |
| Refunds of income tax relating to pre-demerger periods   | <b>14.4</b>    | –           | <b>14.4</b>    | –           |
| Tax consolidation benefit on formation of tax-consolidated group                                       | –              | 80.1        | –              | –           |
| Recognition of a deferred tax asset on derivatives issued as consideration for acquisition of an asset | –              | 26.1        | –              | –           |
| Overprovision for income tax relating to demerger of AGL Energy Limited tax-consolidated group         | –              | 16.5        | –              | 16.5        |
|  | <b>(305.6)</b> | 160.2       | <b>(311.6)</b> | 14.5        |
| Significant income/(expense) items before income tax   | <b>1,746.9</b> | (97.6)      | <b>1,025.3</b> | (24.0)      |
| Income tax (expense)/income  | <b>(305.6)</b> | 160.2       | <b>(311.6)</b> | 14.5        |
|  | <b>1,441.3</b> | 62.6        | <b>713.7</b>   | (9.5)       |

|   | Consolidated   |             | Parent Entity  |             |
|---|----------------|-------------|----------------|-------------|
|   | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Note 9 – Income tax</b>  |                |             |                |             |
| <b>Income tax recognised in the income statement</b>  |                |             |                |             |
| The major components of income tax expense are:   |                |             |                |             |
| <b>Current income tax</b>   |                |             |                |             |
| Current tax expense in respect of the current year  | <b>344.3</b>   | 104.1       | <b>364.9</b>   | 77.5        |
| Adjustments in respect of current income tax of prior years   | <b>(14.6)</b>  | (17.6)      | <b>(13.9)</b>  | (18.2)      |
| <b>Deferred income tax</b>  |                |             |                |             |
| Relating to the origination and reversal of temporary differences   | <b>128.7</b>   | (207.7)     | <b>22.5</b>    | (14.4)      |
| (Reversal of previous write-down)/write-down of deferred tax assets   | <b>(67.8)</b>  | 59.0        | –              | –           |
| <b>Total income tax expense/(income)</b>  | <b>390.6</b>   | (62.2)      | <b>373.5</b>   | 44.9        |
| Attributable to:  |                |             |                |             |
| Continuing operations   | <b>293.1</b>   | (68.3)      | <b>330.9</b>   | 59.2        |
| Discontinued operations (Note 10)   | <b>97.5</b>    | 6.1         | <b>42.6</b>    | (14.3)      |
|   | <b>390.6</b>   | (62.2)      | <b>373.5</b>   | 44.9        |
| <b>Numerical reconciliation between tax expense/(income) and pre-tax profit</b>   |                |             |                |             |
| The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense/(income) in the financial statements as follows: |                |             |                |             |
| Profit before tax from continuing operations  | <b>1,011.3</b> | 248.0       | <b>1,994.2</b> | 292.7       |
| Profit/(loss) before tax from discontinued operations   | <b>975.4</b>   | (81.2)      | <b>31.2</b>    | (8.7)       |
| <b>Profit from operations</b>   | <b>1,986.7</b> | 166.8       | <b>2,025.4</b> | 284.0       |
| Income tax expense calculated at 30%  | <b>596.0</b>   | 50.0        | <b>607.6</b>   | 85.2        |
| Impairment of non-current assets  | –              | 11.1        | –              | –           |
| Impairment of loans to subsidiaries   | –              | –           | –              | 26.6        |
| Non-deductible expenses   | <b>29.9</b>    | 15.8        | <b>2.8</b>     | 11.7        |
| Gain on disposal of investments   | <b>6.2</b>     | –           | <b>(17.0)</b>  | –           |
| Gain on disposal of businesses and subsidiaries   | <b>(212.0)</b> | –           | <b>16.6</b>    | –           |
| Capital loss on disposal of subsidiary  | <b>18.5</b>    | (32.1)      | <b>18.5</b>    | (17.4)      |
| Non-assessable income   | <b>(1.8)</b>   | (6.4)       | <b>(1.8)</b>   | (6.4)       |
| Non-assessable dividends  | –              | –           | <b>(239.3)</b> | (37.1)      |
| Share of profits of associates and jointly controlled entities  | <b>(11.0)</b>  | (24.2)      | –              | –           |
| Effect of different tax rates in foreign jurisdictions  | <b>47.4</b>    | (13.3)      | –              | –           |
| (Reversal of previous write-down)/write-down of deferred tax assets   | <b>(67.8)</b>  | 59.0        | –              | –           |
| Recognition of a deferred tax asset on derivatives issued as consideration for acquisition of an asset  | –              | (26.1)      | –              | –           |
| Tax consolidation benefit on formation of tax-consolidated group  | –              | (80.1)      | –              | –           |
| Other   | <b>(0.2)</b>   | 1.7         | –              | 0.5         |
| Adjustments in respect of current income tax of prior years   | <b>(14.6)</b>  | (17.6)      | <b>(13.9)</b>  | (18.2)      |
|   | <b>390.6</b>   | (62.2)      | <b>373.5</b>   | 44.9        |

|  | Consolidated   |                | Parent Entity |               |
|--|----------------|----------------|---------------|---------------|
|  | 2009<br>\$m    | 2008<br>\$m    | 2009<br>\$m   | 2008<br>\$m   |
| <b>Income tax recognised directly in equity</b>                    |                |                |               |               |
| <b>Deferred income tax</b>   |                |                |               |               |
| Revaluation of financial instruments treated as cash flow hedges   | (197.1)        | (774.3)        | (12.8)        | 4.6           |
| Actuarial loss on defined benefit plans                            | (19.4)         | (4.2)          | (7.1)         | (3.0)         |
| Net loss on hedge of net investment in foreign operations          | 0.3            | 7.2            | –             | –             |
| <b>Income tax (income)/expense recognised in equity</b>            | <b>(216.2)</b> | <b>(771.3)</b> | <b>(19.9)</b> | <b>1.6</b>    |
| <b>Current tax assets and liabilities</b>                          |                |                |               |               |
| <b>Current tax assets</b>  |                |                |               |               |
| Income tax refund receivable                                       | –              | 47.9           | –             | 47.9          |
| <b>Current tax liabilities</b>                                     |                |                |               |               |
| Income tax payable attributable to:                                |                |                |               |               |
| Parent entity  | 285.2          | –              | 285.2         | –             |
| Entities in the tax-consolidated group                             | (116.6)        | –              | (116.6)       | –             |
| Other entities   | 61.3           | 23.4           | –             | –             |
|  | <b>229.9</b>   | <b>23.4</b>    | <b>168.6</b>  | <b>–</b>      |
| <b>Deferred income tax recognised in the income statement</b>      |                |                |               |               |
| <b>Temporary differences</b>                                       |                |                |               |               |
| Unbilled revenue   | (2.1)          | 13.8           | –             | –             |
| Allowance for doubtful debts                                       | (7.2)          | (3.5)          | –             | –             |
| Other receivables  | 2.3            | (6.6)          | 0.8           | (5.0)         |
| Exploration and evaluation assets                                  | 123.6          | (2.9)          | 6.0           | (3.4)         |
| Oil and gas assets   | 3.1            | (2.3)          | 2.7           | (0.1)         |
| Property, plant and equipment                                      | 10.8           | (47.9)         | (0.2)         | (5.1)         |
| Defined benefit superannuation plans                               | 2.2            | (0.7)          | 0.6           | 0.2           |
| Payables and accruals  | 0.7            | (10.3)         | (2.2)         | 1.0           |
| Provisions   | (0.3)          | 3.8            | (6.1)         | (0.5)         |
| Derivative financial instruments                                   | (4.2)          | (156.3)        | 7.1           | (1.8)         |
| Share issue transaction costs                                      | 1.3            | 1.3            | 1.3           | 1.3           |
| Other  | (1.5)          | 3.9            | 12.5          | (1.0)         |
|  | <b>128.7</b>   | <b>(207.7)</b> | <b>22.5</b>   | <b>(14.4)</b> |
| <b>Deferred tax balances</b>                                       |                |                |               |               |
| <b>Deferred tax assets/(liabilities) arise from the following:</b> |                |                |               |               |
| Unbilled revenue   | (164.0)        | (166.1)        | –             | –             |
| Allowance for doubtful debts                                       | 20.2           | 13.0           | –             | –             |
| Other receivables  | (3.9)          | (1.6)          | (1.9)         | (1.1)         |
| Exploration and evaluation assets                                  | (127.9)        | (5.4)          | (6.2)         | (0.1)         |
| Oil and gas assets   | (0.9)          | (4.8)          | (2.9)         | 0.1           |
| Property, plant and equipment                                      | (80.4)         | (83.8)         | 6.2           | (0.1)         |
| Defined benefit superannuation plans                               | 16.0           | (1.1)          | 3.4           | (3.2)         |
| Payables and accruals  | 28.1           | 19.3           | 2.2           | –             |
| Provisions   | 68.4           | 73.7           | 7.0           | 1.0           |
| Derivative financial instruments                                   | 24.2           | (250.1)        | 3.4           | (5.8)         |
| Share issue transaction costs                                      | 2.6            | 3.8            | 2.5           | 3.8           |
| Other  | (0.8)          | 3.5            | 5.8           | 18.1          |
| <b>Net deferred tax asset/(liability)</b>                          | <b>(218.4)</b> | <b>(399.6)</b> | <b>19.5</b>   | <b>12.7</b>   |

**Note 9 – Income tax (continued)**

|  | Consolidated   |             | Parent Entity |             |
|--|----------------|-------------|---------------|-------------|
|  | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Net deferred tax asset/(liability) is split as follows:</b>   |                |             |               |             |
| Deferred tax assets recognised in the Balance Sheet  | –              | –           | <b>19.5</b>   | 12.7        |
| Deferred tax liabilities recognised in the Balance Sheet   | <b>(218.4)</b> | (379.2)     | –             | –           |
| Deferred tax liabilities recognised in liabilities of disposal groups classified as held for sale in the Balance Sheet | –              | (20.4)      | –             | –           |
|  | <b>(218.4)</b> | (399.6)     | <b>19.5</b>   | 12.7        |
| <b>Unrecognised deferred tax assets/(liabilities)</b>  |                |             |               |             |
| Deductible temporary differences   | <b>74.3</b>    | 51.0        | <b>74.3</b>   | 51.0        |

**Tax consolidation**

The Parent Entity and its wholly-owned Australian resident subsidiaries formed a tax-consolidated group under Australian taxation law with effect from 25 October 2006. AGL Energy Limited is the head entity in the tax-consolidated group.

The members of the tax-consolidated group have entered into a tax sharing and tax funding agreement. The tax funding agreement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The payments are recorded as intercompany receivables/payables.

**Note 10 – Discontinued operations****Disposal of Papua New Guinea oil and gas interests**

On 22 May 2008, the consolidated entity announced its decision to proceed with the sale of its Papua New Guinea (PNG) oil, gas and LNG project assets. This followed execution of a gas agreement by the PNG LNG joint venture participants and the PNG Government and the subsequent formal decision by the joint venture participants to commence Front End Engineering and Design for the PNG LNG project.

On 30 October 2008, the consolidated entity announced that it had executed sale and purchase agreements (SPAs) for all of its oil and gas exploration and production interests in PNG, which included a 3.6% interest in the PNG LNG project. The agreed sale price under the SPA was US\$800 million. The SPA was unconditional, other than Government approvals and was subject to a pre-emptive rights process.

The disposal of the PNG oil and gas interests was completed on 18 December 2008, on which date control of the business passed to the acquirers.

Merlin Petroleum Company (Merlin), an affiliate of Nippon Oil Exploration Limited, exercised its pre-emptive rights and acquired the consolidated entity's interests in production licences PDL 2 and PDL 4 for US\$795 million. Both Merlin and Petroleum Resources Kutubu Limited exercised their pre-emptive rights in respect of the pipeline licence PL 2 and acquired 6.0% and 5.9% of the consolidated entity's 11.9% interest in this licence respectively for US\$5 million.

**Disposal of North Queensland gas pipeline business**

On 30 June 2008, the consolidated entity and its 50/50 joint venture partner, Arrow Energy Limited (Arrow), announced they had entered into a sale and purchase agreement with Victorian Funds Management Corporation (VFMC) for the sale of the North Queensland gas pipeline. The disposal was completed on 1 August 2008, on which date control of the business passed to the acquirer.

The sale follows the purchase by the consolidated entity and Arrow of the Enertrade assets in November 2007, and relates to the on-sale of the gas pipeline asset only. The joint venture retained ownership of the gas processing and compression facility located at Moranbah, which has been integrated into the Moranbah Gas Project joint venture.

The sale of the pipeline is consistent with the intentions outlined at the time the consolidated entity acquired this asset. Ownership of the pipeline was non-core to the consolidated entity's integrated strategy.

Under the terms of the sale, the consolidated entity and Arrow will continue to operate the pipeline through a 50/50 jointly owned company, which will provide contracted operating and maintenance services to VFMC.

**Disposal of Chilean gas distribution business**

On 25 March 2008, the consolidated entity announced it had entered into a sale agreement to dispose of its 100% owned Chilean gas distribution business (GasValpo) and associated assets and related (Chilean and non-Chilean) entities to a consortium of Australian superannuation funds. The disposal was completed on 30 April 2008, on which date control of the business passed to the acquirer, resulting in a pre-tax loss on disposal of \$3.0 million.

At 31 December 2007, the consolidated entity had recognised an impairment loss of \$37.0 million on the carrying value of the GasValpo business.

### Financial performance of operations disposed and held for sale

The results of the discontinued operations which have been included in the income statement are as follows:

|   | Consolidated                                   |  |                      |                      |
|---|--|--|----------------------|----------------------|
|   | PNG oil<br>and gas<br>interests<br>2009<br>\$m | North<br>Queensland<br>gas pipeline<br>2009<br>\$m | Chile<br>2009<br>\$m | Total<br>2009<br>\$m |
| Revenue   | 84.7   | 1.1  | –                    | 85.8                 |
| Other income  | 165.1  | –  | –                    | 165.1                |
| Expenses  | (73.2)   | (0.3)  | –                    | (73.5)               |
| Net financing costs   | (2.2)  | –  | –                    | (2.2)                |
| Profit before tax   | 174.4  | 0.8  | –                    | 175.2                |
| Income tax expense  | (38.1)   | –  | –                    | (38.1)               |
|   | <b>136.3</b>                                   | <b>0.8</b>   | <b>–</b>             | <b>137.1</b>         |
| Profit on disposal of operations (a)                        | 777.1  | 23.1   | –                    | 800.2                |
| Income tax expense  | (31.3)   | (9.6)  | (18.5)               | (59.4)               |
|   | <b>745.8</b>                                   | <b>13.5</b>  | <b>(18.5)</b>        | <b>740.8</b>         |
| <b>Profit/(loss) after tax from discontinued operations</b> | <b>882.1</b>                                   | <b>14.3</b>  | <b>(18.5)</b>        | <b>877.9</b>         |
|   | PNG oil<br>and gas<br>interests<br>2008<br>\$m | North<br>Queensland<br>gas pipeline<br>2008<br>\$m | Chile<br>2008<br>\$m | Total<br>2008<br>\$m |
| Revenue   | 167.9  | 9.2  | 46.8                 | 223.9                |
| Other income  | 33.5   | –  | 3.7                  | 37.2                 |
| Expenses  | (201.1)  | (1.9)  | (69.2)               | (272.2)              |
| Depreciation and amortisation                               | (61.5)   | –  | (4.8)                | (66.3)               |
| Net financing (costs)/income                                | 0.1  | 0.1  | (1.0)                | (0.8)                |
| (Loss)/profit before tax                                    | (61.1)   | 7.4  | (24.5)               | (78.2)               |
| Income tax expense  | (31.1)   | (2.2)  | (3.2)                | (36.5)               |
|   | <b>(92.2)</b>                                  | <b>5.2</b>   | <b>(27.7)</b>        | <b>(114.7)</b>       |
| Loss on disposal of operations (a)                          | –  | –  | (3.0)                | (3.0)                |
| Income tax income   | –  | –  | 30.4                 | 30.4                 |
|   | <b>–</b>                                       | <b>–</b>   | <b>27.4</b>          | <b>27.4</b>          |
| <b>(Loss)/profit after tax from discontinued operations</b> | <b>(92.2)</b>                                  | <b>5.2</b>   | <b>(0.3)</b>         | <b>(87.3)</b>        |

(a) Includes gains of \$83.3 million (2008: \$12.6 million) recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

### Cash flows from discontinued operations

The combined net cash flows of operations disposed and held for sale which have been included in the cash flow statement are as follows:

|  | Consolidated   |              | Parent Entity |              |
|--|----------------|--------------|---------------|--------------|
|  | 2009<br>\$m    | 2008<br>\$m  | 2009<br>\$m   | 2008<br>\$m  |
| Net cash flows from operating activities           | 48.5           | 162.2        | 6.5           | 28.3         |
| Net cash flows from investing activities           | 1,178.3        | 27.2         | 202.1         | 103.7        |
| Net cash flows from financing activities           | –              | 0.6          | –             | –            |
| <b>Net cash flows from discontinued operations</b> | <b>1,226.8</b> | <b>190.0</b> | <b>208.6</b>  | <b>132.0</b> |

**Note 10 – Discontinued operations (continued)****Assets and liabilities of disposal groups classified as held for sale**

The major classes of assets and liabilities comprising the operations classified as disposal groups held for sale at reporting date are as follows:

|   | Consolidated |  |  |                      |
|---|--------------|--|--|----------------------|
|   | 2009<br>\$m  | PNG oil<br>and gas<br>interests<br>2008<br>\$m | North<br>Queensland<br>gas pipeline<br>2008<br>\$m | Total<br>2008<br>\$m |
| <b>Assets</b>   |              |  |  |                      |
| Cash and cash equivalents   | –            | 4.5  | 4.9  | 9.4                  |
| Trade and other receivables                                       | –            | 4.1  | 1.7  | 5.8                  |
| Inventories   | –            | 15.3   | 0.6  | 15.9                 |
| Other assets  | –            | 1.9  | –  | 1.9                  |
| Exploration and evaluation assets                                 | –            | 39.4   | –  | 39.4                 |
| Oil and gas assets  | –            | 297.2  | –  | 297.2                |
| Property, plant and equipment                                     | –            | –  | 89.7   | 89.7                 |
| <b>Assets of disposal groups classified as held for sale</b>      | <b>–</b>     | <b>362.4</b>                                   | <b>96.9</b>  | <b>459.3</b>         |
| <b>Liabilities</b>  |              |  |  |                      |
| Trade and other payables  | –            | (15.7)   | (0.1)  | (15.8)               |
| Provisions  | –            | (16.7)   | (0.1)  | (16.8)               |
| Deferred tax liabilities  | –            | (7.1)  | (13.3)   | (20.4)               |
| <b>Liabilities of disposal groups classified as held for sale</b> | <b>–</b>     | <b>(39.5)</b>                                  | <b>(13.5)</b>                                      | <b>(53.0)</b>        |
| <b>Net assets of disposal groups classified as held for sale</b>  | <b>–</b>     | <b>322.9</b>                                   | <b>83.4</b>  | <b>406.3</b>         |

**Operations disposed**

Details of the disposals are as follows:

The major classes of assets and liabilities disposed are as follows:

|                                   | Consolidated                                   |  |                      |                      | Parent Entity |             |
|-----------------------------------|--|--|----------------------|----------------------|---------------|-------------|
|                                   | PNG oil<br>and gas<br>interests<br>2009<br>\$m | North<br>Queensland<br>gas pipeline<br>2009<br>\$m | Total<br>2009<br>\$m | Chile<br>2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Assets</b>                     |  |  |                      |                      |               |             |
| Cash and cash equivalents         | 7.5  | –  | 7.5                  | 12.9                 | –             | –           |
| Trade and other receivables       | 7.9  | 0.6  | 8.5                  | 11.6                 | –             | –           |
| Inventories                       | 25.3   | 0.2  | 25.5                 | 3.6                  | –             | –           |
| Exploration and evaluation assets | 61.7   | –  | 61.7                 | –                    | –             | –           |
| Oil and gas assets                | 445.2  | –  | 445.2                | –                    | –             | –           |
| Property, plant and equipment     | –  | 90.4   | 90.4                 | 108.5                | –             | –           |
| Other financial assets            | –  | –  | –                    | –                    | 75.5          | 125.9       |
| Deferred tax assets               | –  | –  | –                    | 2.0                  | –             | –           |
| Other assets                      | 0.6  | –  | 0.6                  | 0.5                  | –             | –           |
|                                   | <b>548.2</b>                                   | <b>91.2</b>  | <b>639.4</b>         | 139.1                | <b>75.5</b>   | 125.9       |
| <b>Liabilities</b>                |  |  |                      |                      |               |             |
| Trade and other payables          | (17.9)   | (0.2)  | (18.1)               | (11.7)               | –             | –           |
| Borrowings                        | –  | –  | –                    | (32.2)               | –             | –           |
| Provisions                        | (38.3)   | (0.1)  | (38.4)               | (0.5)                | –             | –           |
| Other liabilities                 | –  | –  | –                    | (0.9)                | –             | –           |
| Deferred tax liabilities          | –  | (13.1)   | (13.1)               | (4.2)                | –             | –           |
|                                   | <b>(56.2)</b>                                  | <b>(13.4)</b>                                      | <b>(69.6)</b>        | (49.5)               | –             | –           |
| <b>Net assets disposed</b>        | <b>492.0</b>                                   | <b>77.8</b>  | <b>569.8</b>         | 89.6                 | <b>75.5</b>   | 125.9       |

|  | Consolidated                       |  |                | Parent Entity  |              |          |
|--|------------------------------------|--|----------------|----------------|--------------|----------|
|  | PNG oil and gas interests 2009 \$m | North Queensland gas pipeline 2009 \$m | Total 2009 \$m | Chile 2008 \$m | 2009 \$m     | 2008 \$m |
| <b>Consideration received or receivable:</b>   |                                    |  |                |                |              |          |
| Cash consideration received  | 1,188.9                            | 102.7                                  | 1,291.6        | 71.2           | 102.6        | 71.2     |
| Consideration receivable   | –                                  | –                                      | –              | 3.6            | –            | 3.6      |
| Costs directly attributable to the disposal  | (3.1)                              | (1.8)                                  | (4.9)          | (0.8)          | (2.0)        | (0.8)    |
| <b>Total disposal consideration</b>  | <b>1,185.8</b>                     | <b>100.9</b>                           | <b>1,286.7</b> | 74.0           | <b>100.6</b> | 74.0     |
| Net assets disposed  | (492.0)                            | (77.8)                                 | (569.8)        | (89.6)         | (75.5)       | (125.9)  |
|  | <b>693.8</b>                       | <b>23.1</b>                            | <b>716.9</b>   | (15.6)         | <b>25.1</b>  | (51.9)   |
| Transferred from foreign currency translation reserve to profit or loss on disposal of foreign operation | 83.3                               | –                                      | 83.3           | 12.6           | –            | –        |
| Profit/(loss) on disposal  | 777.1                              | 23.1                                   | 800.2          | (3.0)          | 25.1         | (51.9)   |
| <b>Net cash inflow on disposal:</b>  |                                    |  |                |                |              |          |
| Cash consideration received  | 1,188.9                            | 102.7                                  | 1,291.6        | 71.2           | 102.6        | 71.2     |
| Costs directly attributable to the disposal paid   | (2.9)                              | (1.8)                                  | (4.7)          | (0.8)          | (1.8)        | (0.8)    |
| Net payments for settlement of foreign currency and oil hedges   | (77.6)                             | –                                      | (77.6)         | –              | –            | –        |
| Cash and cash equivalent balances disposed of  | (7.5)                              | –                                      | (7.5)          | (12.9)         | –            | –        |
| Net cash inflow on disposal  | 1,100.9                            | 100.9                                  | 1,201.8        | 57.5           | 100.8        | 70.4     |

|   | Consolidated |          | Parent Entity |          |
|---|--------------|----------|---------------|----------|
|   | 2009 \$m     | 2008 \$m | 2009 \$m      | 2008 \$m |
| <b>Note 11 – Dividends</b>  |              |          |               |          |
| <b>Recognised amounts</b>   |              |          |               |          |
| <b>Final dividend</b>   |              |          |               |          |
| Final dividend for 2008 of 27.0 cents per share, fully franked at 30%, paid 26 September 2008 (2008: Final dividend for 2007 of 26.0 cents per share, fully franked at 30%, paid 28 September 2007) | 119.9        | 112.7    | 119.9         | 112.7    |
| <b>Interim dividend</b>   |              |          |               |          |
| Interim dividend for 2009 of 26.0 cents per share, fully franked at 30%, paid 3 April 2009 (2008: Interim dividend for 2008 of 26.0 cents per share, fully franked at 30%, paid 16 April 2008)      | 116.2        | 112.9    | 116.2         | 112.9    |
| <b>Total dividends</b>  | <b>236.1</b> | 225.6    | <b>236.1</b>  | 225.6    |
| Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (DRP) and to the underwriter of the DRP (Note 38)   | (58.7)       | (112.9)  | (58.7)        | (112.9)  |
| <b>Dividends paid as per the cash flow statement</b>  | <b>177.4</b> | 112.7    | <b>177.4</b>  | 112.7    |
| <b>Unrecognised amounts</b>   |              |          |               |          |
| Since the end of the financial year, the Directors have declared a final dividend for 2009 of 28.0 cents per share (2008: 27.0 cents), fully franked at 30%, payable 30 September 2009              | 125.3        | 119.7    | 125.3         | 119.7    |

The financial effect of this dividend has not been recognised as a liability in these financial statements but will be brought to account in the 2010 financial year.

#### Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on the ASX during each of the 10 trading days commencing on the second trading day after the dividend record date.

#### Dividend franking account

30% franking credits available to Shareholders of the Parent Entity for subsequent financial years, after adjusting for franking credits that will arise from the payment of the current tax liabilities

92.2 (49.1)

Impact on franking account balance of dividends proposed after the reporting date but not recognised as a liability

(53.7) (51.3)

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 12 – Cash and cash equivalents</b> |              |             |               |             |
| Cash at bank and on hand                   | 67.5         | 63.7        | 59.1          | 33.0        |
| Short-term money market deposits           | 555.6        | 0.1         | 553.0         | 0.1         |
|  | <b>623.1</b> | 63.8        | <b>612.1</b>  | 33.1        |

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

Short-term money market deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

### Note 13 – Trade and other receivables (current)

|  |                |         |             |      |
|--|----------------|---------|-------------|------|
| Trade receivables                            | 658.1          | 606.1   | 5.2         | 3.7  |
| Allowance for doubtful debts                 | (67.5)         | (43.4)  | –           | –    |
|  | <b>590.6</b>   | 562.7   | <b>5.2</b>  | 3.7  |
| Unbilled revenue                             | 546.6          | 553.7   | –           | –    |
| Goods and services tax recoverable           | –              | 3.0     | 0.2         | 0.5  |
| Amounts owing by associates                  | 4.6            | 9.7     | 4.6         | 3.7  |
| Amounts owing by jointly controlled entities | 45.1           | 29.6    | –           | –    |
| Other receivables                            | 22.8           | 12.3    | 6.4         | 10.4 |
|  | <b>1,209.7</b> | 1,171.0 | <b>16.4</b> | 18.3 |

#### Allowance for doubtful debts

Movements in the allowance for doubtful debts are detailed below:

|   |             |        |   |   |
|---|-------------|--------|---|---|
| Balance at beginning of financial year      | 43.4        | 35.5   | – | – |
| Impairment losses recognised on receivables | 57.3        | 42.8   | – | – |
| Amounts written off as uncollectible        | (33.2)      | (34.2) | – | – |
| Disposal of subsidiary                      | –           | (0.7)  | – | – |
| Balance at end of financial year            | <b>67.5</b> | 43.4   | – | – |

The ageing of trade receivables at the reporting date is detailed below:

|                      | Consolidated |                  |              |                  | Parent Entity |                  |              |                  |
|----------------------|--------------|------------------|--------------|------------------|---------------|------------------|--------------|------------------|
|                      | 2009         |                  | 2008         |                  | 2009          |                  | 2008         |                  |
|                      | Total<br>\$m | Allowance<br>\$m | Total<br>\$m | Allowance<br>\$m | Total<br>\$m  | Allowance<br>\$m | Total<br>\$m | Allowance<br>\$m |
| Not past due         | 409.3        | (4.6)            | 427.7        | (4.6)            | 5.2           | –                | 3.7          | –                |
| Past due 31– 60 days | 68.5         | (3.0)            | 61.0         | (2.7)            | –             | –                | –            | –                |
| Past due 61– 90 days | 34.1         | (3.6)            | 26.3         | (2.9)            | –             | –                | –            | –                |
| Past 90 days         | 146.2        | (56.3)           | 91.1         | (33.2)           | –             | –                | –            | –                |
|                      | <b>658.1</b> | <b>(67.5)</b>    | 606.1        | (43.4)           | <b>5.2</b>    | –                | 3.7          | –                |

The consolidated entity's policy requires customers to pay in accordance within agreed payment terms. Depending on the customer segment, settlement terms are generally less than 30 days from date of invoice. An allowance for doubtful debts is recognised when there is objective evidence that a trade receivable is impaired. Financial difficulties of the debtor, default payments or debts overdue are considered objective evidence of impairment. An allowance for doubtful debts of \$57.3 million (2008: \$42.8 million) has been recognised by the consolidated entity and \$nil (2008: \$nil) by the Parent Entity. These amounts have been included in other expenses in Note 6.

At the reporting date, trade receivables with a carrying amount of \$185.9 million (2008: \$139.6 million) for the consolidated entity and \$nil (2008: \$nil) for the Parent Entity were past due but not considered impaired. These trade receivables relate to customers for whom there has not been a significant change in credit quality and the amounts are considered recoverable.

Other balances within trade and other receivables are neither impaired nor past due. It is expected that these other balances will be received when due.

#### Unbilled revenue

Unbilled gas and electricity revenue is not collectable until such time as customers' meters are read and bills rendered.

#### Amounts owing by associates and jointly controlled entities

For terms and conditions relating to amounts owing by associates and jointly controlled entities, refer to Note 53.

#### Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables. Collateral is not held as security.

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 14 – Inventories</b>   |              |             |               |             |
| Raw materials and stores – at cost   | 30.5         | 25.2        | 5.1           | 0.9         |
| Finished goods – at cost   | 20.7         | 13.5        | 0.4           | 0.3         |
|  | <b>51.2</b>  | 38.7        | <b>5.5</b>    | 1.2         |
| <b>Note 15 – Other financial assets (current)</b>  |              |             |               |             |
| Derivative financial instruments – at fair value (Note 56)   |              |             |               |             |
| – Energy derivatives – cash flow hedges  | 88.1         | 475.8       | –             | 247.5       |
| – Energy derivatives – economic hedges   | 269.8        | 721.5       | 30.4          | 42.1        |
|  | <b>357.9</b> | 1,197.3     | <b>30.4</b>   | 289.6       |
| Futures deposits and margin calls  | 80.4         | 13.6        | –             | –           |
|  | <b>438.3</b> | 1,210.9     | <b>30.4</b>   | 289.6       |
| <b>Note 16 – Other assets (current)</b>  |              |             |               |             |
| Green commodities scheme certificates and instruments  | 125.2        | 85.4        | –             | –           |
| Prepayments  | 26.2         | 12.2        | 5.8           | 1.7         |
|  | <b>151.4</b> | 97.6        | <b>5.8</b>    | 1.7         |
| <b>Note 17 – Non-current assets classified as held for sale</b>  |              |             |               |             |
| Investment in a jointly controlled entity  | –            | 71.2        | –             | 64.2        |
| <p>In April 2008, the Directors of the Parent Entity approved the disposal of the consolidated entity's 50.0% ownership interest in Auscom Holdings Pty Limited. Efforts to sell the investment had commenced, and a sale was expected to be completed by the end of September 2008. No impairment loss was recognised on reclassification of the investment as held for sale. The disposal was completed on 2 October 2008.</p> |              |             |               |             |
| <b>Note 18 – Assets of disposal groups classified as held for sale</b>   |              |             |               |             |
| Assets related to the PNG oil and gas business (Note 10)   | –            | 362.4       | –             | –           |
| Assets related to the North Queensland gas pipeline business (Note 10)   | –            | 96.9        | –             | –           |
|  | –            | 459.3       | –             | –           |
| <b>Note 19 – Trade and other receivables (non-current)</b>   |              |             |               |             |
| Other receivables  | 0.7          | 0.8         | –             | –           |
| <b>Note 20 – Investments accounted for using the equity method</b>   |              |             |               |             |
| Investments in associates – listed   | –            | 419.6       | –             | –           |
| Investments in associates – unlisted   | 166.4        | 150.7       | –             | –           |
| Investments in jointly controlled entities – unlisted  | 16.2         | 14.7        | –             | –           |
|  | <b>182.6</b> | 585.0       | –             | –           |
| <b>Reconciliation of movements in investments accounted for using the equity method</b>  |              |             |               |             |
| Balance at 1 July  | 585.0        | 534.4       | –             | –           |
| Additions  | –            | 0.7         | –             | –           |
| Disposals  | (422.2)      | (120.6)     | –             | –           |
| Assets classified as held for sale   | –            | (71.2)      | –             | –           |
| Share of profits after income tax  | 54.4         | 99.8        | –             | –           |
| Gain on deemed disposal on equity dilution   | –            | 22.3        | –             | –           |
| Share of movements in reserves   | 11.9         | 163.5       | –             | –           |
| Share of actuarial loss on defined benefit plans   | (19.5)       | (10.4)      | –             | –           |
| Dividends received   | (27.0)       | (33.5)      | –             | –           |
| Balance at 30 June   | <b>182.6</b> | 585.0       | –             | –           |

**Note 20 – Investments accounted for using the equity method (continued)**

| Name of entity   | Principal activities  | Country of incorporation | Reporting dates | Ownership interest |        | Carrying value |          |
|--|---|--------------------------|-----------------|--------------------|--------|----------------|----------|
|  |   |                          |                 | 2009 %             | 2008 % | 2009 \$m       | 2008 \$m |
| <b>Associates</b>  |   |                          |                 |                    |        |                |          |
| Queensland Gas Company Limited (a)   | Exploration, evaluation and development of coal seam gas deposits | Australia                | 30 June         | –                  | 24.9   | –              | 419.6    |
| Greater Energy Alliance Corporation Pty Limited  | Electricity generation  | Australia                | 31 December     | <b>32.5</b>        | 32.5   | <b>163.0</b>   | 147.0    |
| Gascor Pty Ltd   | Victorian gas transmission  | Australia                | 30 June         | <b>33.3</b>        | 33.3   | <b>0.9</b>     | 0.9      |
| CSM Energy Limited   | Coal mine methane gas extraction                                  | Australia                | 30 June         | <b>35.0</b>        | 35.0   | <b>2.5</b>     | 2.8      |
| <b>Jointly controlled entities</b>   |   |                          |                 |                    |        |                |          |
| ActewAGL Retail Partnership  | Energy and water services   | Australia                | 30 June         | <b>50.0</b>        | 50.0   | <b>15.1</b>    | 14.0     |
| Energy Infrastructure Management Pty Ltd (formerly North Queensland Pipeline Management Pty Ltd) | Pipeline management services                                      | Australia                | 30 June         | <b>50.0</b>        | 50.0   | <b>0.7</b>     | 0.2      |
| Central Queensland Pipeline Pty Ltd  | Gas pipeline development  | Australia                | 30 June         | <b>50.0</b>        | 50.0   | <b>0.4</b>     | 0.5      |
| MWF JV Pty Limited   | Wind farm development   | Australia                | 30 June         | <b>50.0</b>        | 50.0   | –              | –        |
|  |   |                          |                 |                    |        | <b>182.6</b>   | 585.0    |

(a) The consolidated entity disposed of its 21.5% ownership interest in Queensland Gas Company Limited on 5 November 2008. The sale of the investment resulted in a pre-tax profit of \$753.6 million.

|   | Consolidated   |           |
|---|----------------|-----------|
|   | 2009 \$m       | 2008 \$m  |
| <b>Summarised financial information of associates</b>                     |                |           |
| Current assets  | <b>448.1</b>   | 1,288.5   |
| Non-current assets  | <b>3,619.6</b> | 3,933.7   |
| Total assets  | <b>4,067.7</b> | 5,222.2   |
| Current liabilities   | <b>327.5</b>   | 476.5     |
| Non-current liabilities   | <b>3,274.7</b> | 3,361.3   |
| Total liabilities   | <b>3,602.2</b> | 3,837.8   |
| <b>Net assets</b>   | <b>465.5</b>   | 1,384.4   |
| <b>Revenue</b>  | <b>1,080.7</b> | 1,716.5   |
| <b>Net profit after tax</b>   | <b>72.0</b>    | 234.6     |
| <b>Consolidated entity's share of associates' profit</b>                  | <b>26.0</b>    | 63.7      |
| <b>Summarised financial information of jointly controlled entities</b>    |                |           |
| Current assets  | <b>124.1</b>   | 100.3     |
| Non-current assets  | <b>32.0</b>    | 30.0      |
| Total assets  | <b>156.1</b>   | 130.3     |
| Current liabilities   | <b>114.2</b>   | 95.7      |
| Non-current liabilities   | <b>2.8</b>     | 0.6       |
| Total liabilities   | <b>117.0</b>   | 96.3      |
| <b>Net assets</b>   | <b>39.1</b>    | 34.0      |
| <b>Revenue</b>  | <b>571.6</b>   | 1,248.7   |
| <b>Expenses</b>   | <b>(517.0)</b> | (1,167.6) |
| <b>Consolidated entity's share of jointly controlled entities' profit</b> | <b>28.4</b>    | 36.1      |

### Dividends received from associates and joint ventures

During the year, the consolidated entity received dividends of \$nil (2008: \$nil) from its associates and \$27.0 million (2008: \$33.5 million) from its jointly controlled entities.

### Capital commitments and contingent liabilities

The consolidated entity's share of capital expenditure commitments and contingent liabilities of associates and jointly controlled entities are disclosed in Notes 42 and 44 respectively.

### Impairment testing for Greater Energy Alliance Corporation Pty Limited

As at 30 June 2009, the carrying value of the consolidated entity's interest in Greater Energy Alliance Corporation Pty Limited (GEAC) of \$277.2 million (2008: \$250.0 million), comprised an equity accounted investment of \$163.0 million (2008: \$147.0 million) (Note 20), loan notes receivable of \$109.6 million (2008: \$99.3 million) (Note 25) and interest receivable of \$4.6 million (2008: \$3.7 million) (Note 13) ('Loy Yang Interest'). The carrying value of the Loy Yang Interest has been tested for impairment at 30 June 2009 using a value in use model and no impairment loss has been recognised (2008: \$nil). The key assumptions in the calculation of value in use are electricity load demand forecasts, coal and gas procurement costs, other plant operating costs, and regulatory outcomes.

Cash flow forecasts are based on management forecasts for the remaining life of the plant. This discount rate used is the pre-tax weighted average cost of capital of 13.0%. The estimated regulatory outcomes assume the commencement of the expanded Mandatory Renewable Energy Target Scheme (Expanded MRET) as well as the introduction of the Carbon Pollution Reduction Scheme (CPRS) from 1 July 2011. It is assumed that the CPRS will be introduced based on a 5% CO<sub>2</sub> emissions reduction target level with carbon permit prices based on those outlined in the Australian Government's report entitled 'Carbon Pollution Reduction Scheme: Australia's Low Pollution Future'. It is also assumed that GEAC will receive Government transitional assistance under the Electricity Sector Adjustment Mechanism under the proposed CPRS. In addition, the value in use model assumes that GEAC will successfully refinance a \$455 million core debt bullet repayment and a \$35 million working capital facility both due for repayment in November 2010.

|   | Consolidated  |             | Parent Entity |             |
|---|---------------|-------------|---------------|-------------|
|   | 2009<br>\$m   | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 21 – Exploration and evaluation assets</b>                        |               |             |               |             |
| Balance at beginning of financial year                                    | <b>25.9</b>   | 66.2        | <b>10.6</b>   | 11.8        |
| Additions   | <b>24.1</b>   | 9.4         | <b>6.4</b>    | 4.2         |
| Acquisitions through business combinations (Note 47)                      | <b>530.5</b>  | –           | <b>14.2</b>   | –           |
| Impairment loss   | –             | (5.4)       | –             | (5.4)       |
| Transfer to oil and gas assets  | <b>(10.6)</b> | –           | <b>(10.6)</b> | –           |
| Assets included in a disposal group classified as held for sale (Note 10) | –             | (39.4)      | –             | –           |
| Net foreign currency exchange differences                                 | –             | (4.9)       | –             | –           |
| Balance at end of financial year  | <b>569.9</b>  | 25.9        | <b>20.6</b>   | 10.6        |

### Impairment loss

During the 2008 financial year, the consolidated entity reassessed the carrying value of development and evaluation expenditure relating to a coal seam methane drilling project in the Upstream Gas business. Owing to the uncertainty around the viability of the project, an impairment charge of \$5.4 million was recognised.

The impairment loss is included in other expenses for continuing operations in the line item 'impairment of exploration and evaluation assets' in Note 6.

### Note 22 – Oil and gas assets

#### Producing assets

|   |               |         |               |        |
|---|---------------|---------|---------------|--------|
| Balance at beginning of financial year                                    | <b>150.7</b>  | 505.1   | <b>116.2</b>  | 104.4  |
| Additions   | <b>77.0</b>   | 57.0    | <b>70.5</b>   | 21.3   |
| Acquisitions through business combinations (Note 47)                      | <b>54.2</b>   | –       | <b>16.4</b>   | –      |
| Transfer from exploration and evaluation assets                           | <b>10.6</b>   | –       | <b>10.6</b>   | –      |
| Transfer from property, plant and equipment                               | <b>17.4</b>   | –       | –             | –      |
| Inter-entity transfer   | –             | –       | <b>17.4</b>   | –      |
| Depreciation and amortisation expense                                     | <b>(14.7)</b> | (74.2)  | <b>(10.7)</b> | (9.5)  |
| Assets included in a disposal group classified as held for sale (Note 10) | –             | (297.2) | –             | –      |
| Net foreign currency exchange differences                                 | –             | (40.0)  | –             | –      |
| Balance at end of financial year  | <b>295.2</b>  | 150.7   | <b>220.4</b>  | 116.2  |
| Cost (gross carrying amount)  | <b>335.1</b>  | 176.0   | <b>249.0</b>  | 134.1  |
| Accumulated depreciation, amortisation and impairment                     | <b>(39.9)</b> | (25.3)  | <b>(28.6)</b> | (17.9) |
| Net carrying amount   | <b>295.2</b>  | 150.7   | <b>220.4</b>  | 116.2  |

**Note 22 – Oil and gas assets (continued)****Depreciation and amortisation expense**

Depreciation and amortisation expense of \$14.7 million (2008: \$12.7 million) for the consolidated entity and \$10.7 million (2008: \$9.5 million) for the Parent Entity is included in the line item 'depreciation and amortisation' in the income statement.

Depreciation and amortisation expense of \$nil (2008: \$61.5 million) for the consolidated entity and \$nil (2008: \$nil) for the Parent Entity is included in the line item 'discontinued operations' in the income statement.

|   | Freehold<br>land and<br>buildings<br>\$m | Leasehold<br>improvements<br>\$m | Plant and<br>equipment<br>\$m | Total<br>\$m |
|---|--|----------------------------------|-------------------------------|--------------|
| <b>Note 23 – Property, plant and equipment</b>                            |  |                                  |                               |              |
| <b>Consolidated – year ended 30 June 2009</b>                             |  |                                  |                               |              |
| Balance at 1 July 2008, net of accumulated depreciation and impairment    | 14.4                                     | 15.4                             | 1,791.4                       | 1,821.2      |
| Additions   | 0.2                                      | 0.7                              | 487.0                         | 487.9        |
| Acquisitions through business combinations (Note 47)                      | 2.3                                      | 0.1                              | 1.2                           | 3.6          |
| Disposals   | –  | –                                | (68.7)                        | (68.7)       |
| Depreciation expense  | (0.1)                                    | (2.1)                            | (78.1)                        | (80.3)       |
| Impairment loss   | –  | –                                | (37.2)                        | (37.2)       |
| Transfer to oil and gas assets  | –  | –                                | (17.4)                        | (17.4)       |
| Transfers   | –  | 5.1                              | (5.1)                         | –            |
| Balance at 30 June 2009, net of accumulated depreciation and impairment   | 16.8                                     | 19.2                             | 2,073.1                       | 2,109.1      |
| <b>Balance at 1 July 2008</b>   |  |                                  |                               |              |
| Cost (gross carrying amount)  | 15.6                                     | 21.3                             | 2,148.8                       | 2,185.7      |
| Accumulated depreciation and impairment                                   | (1.2)                                    | (5.9)                            | (357.4)                       | (364.5)      |
| Net carrying amount   | 14.4                                     | 15.4                             | 1,791.4                       | 1,821.2      |
| <b>Balance at 30 June 2009</b>  |  |                                  |                               |              |
| Cost (gross carrying amount)  | 18.1                                     | 26.6                             | 2,495.2                       | 2,539.9      |
| Accumulated depreciation and impairment                                   | (1.3)                                    | (7.4)                            | (422.1)                       | (430.8)      |
| Net carrying amount   | 16.8                                     | 19.2                             | 2,073.1                       | 2,109.1      |
| <b>Consolidated – year ended 30 June 2008</b>                             |  |                                  |                               |              |
| Balance at 1 July 2007, net of accumulated depreciation and impairment    | 13.0                                     | 32.6                             | 1,056.0                       | 1,101.6      |
| Additions   | –  | 1.6                              | 259.9                         | 261.5        |
| Acquisitions through business combinations (Note 47)                      | 1.5                                      | –                                | 795.2                         | 796.7        |
| Disposals   | –  | (0.7)                            | (110.3)                       | (111.0)      |
| Assets included in a disposal group classified as held for sale (Note 10) | –  | –                                | (89.7)                        | (89.7)       |
| Depreciation expense  | (0.1)                                    | (2.2)                            | (71.1)                        | (73.4)       |
| Impairment loss   | –  | (16.9)                           | (60.3)                        | (77.2)       |
| Transfers   | –  | 1.0                              | (1.0)                         | –            |
| Net foreign currency exchange differences                                 | –  | –                                | 12.7                          | 12.7         |
| Balance at 30 June 2008, net of accumulated depreciation and impairment   | 14.4                                     | 15.4                             | 1,791.4                       | 1,821.2      |
| <b>Balance at 1 July 2007</b>   |  |                                  |                               |              |
| Cost (gross carrying amount)  | 14.1                                     | 40.0                             | 1,324.2                       | 1,378.3      |
| Accumulated depreciation and impairment                                   | (1.1)                                    | (7.4)                            | (268.2)                       | (276.7)      |
| Net carrying amount   | 13.0                                     | 32.6                             | 1,056.0                       | 1,101.6      |
| <b>Balance at 30 June 2008</b>  |  |                                  |                               |              |
| Cost (gross carrying amount)  | 15.6                                     | 21.3                             | 2,148.8                       | 2,185.7      |
| Accumulated depreciation and impairment                                   | (1.2)                                    | (5.9)                            | (357.4)                       | (364.5)      |
| Net carrying amount   | 14.4                                     | 15.4                             | 1,791.4                       | 1,821.2      |

|   | Freehold<br>land and<br>buildings<br>\$m | Leasehold<br>improvements<br>\$m | Plant and<br>equipment<br>\$m | Total<br>\$m |
|---|--|----------------------------------|-------------------------------|--------------|
| <b>Parent Entity – year ended 30 June 2009</b>                          |  |                                  |                               |              |
| Balance at 1 July 2008, net of accumulated depreciation and impairment  | 1.5                                      | 12.1                             | 11.0                          | 24.6         |
| Additions   | –  | 0.6                              | 4.3                           | 4.9          |
| Depreciation expense  | –  | (1.7)                            | (1.3)                         | (3.0)        |
| Impairment loss   | –  | –                                | (1.3)                         | (1.3)        |
| Transfers   | –  | 5.1                              | (5.1)                         | –            |
| Balance at 30 June 2009, net of accumulated depreciation and impairment | 1.5                                      | 16.1                             | 7.6                           | 25.2         |
| <b>Balance at 1 July 2008</b>   |  |                                  |                               |              |
| Cost (gross carrying amount)  | 1.5                                      | 13.9                             | 17.3                          | 32.7         |
| Accumulated depreciation and impairment                                 | –  | (1.8)                            | (6.3)                         | (8.1)        |
| Net carrying amount   | 1.5                                      | 12.1                             | 11.0                          | 24.6         |
| <b>Balance at 30 June 2009</b>  |  |                                  |                               |              |
| Cost (gross carrying amount)  | 1.5                                      | 19.6                             | 11.0                          | 32.1         |
| Accumulated depreciation and impairment                                 | –  | (3.5)                            | (3.4)                         | (6.9)        |
| Net carrying amount   | 1.5                                      | 16.1                             | 7.6                           | 25.2         |
| <b>Parent Entity – year ended 30 June 2008</b>                          |  |                                  |                               |              |
| Balance at 1 July 2007, net of accumulated depreciation and impairment  | 1.5                                      | 28.9                             | 10.1                          | 40.5         |
| Additions   | –  | 1.6                              | 5.6                           | 7.2          |
| Depreciation expense  | –  | (1.7)                            | (1.5)                         | (3.2)        |
| Impairment loss   | –  | (16.9)                           | (3.0)                         | (19.9)       |
| Transfers   | –  | 0.2                              | (0.2)                         | –            |
| Balance at 30 June 2008, net of accumulated depreciation and impairment | 1.5                                      | 12.1                             | 11.0                          | 24.6         |
| <b>Balance at 1 July 2007</b>   |  |                                  |                               |              |
| Cost (gross carrying amount)  | 1.5                                      | 32.7                             | 16.8                          | 51.0         |
| Accumulated depreciation and impairment                                 | –  | (3.8)                            | (6.7)                         | (10.5)       |
| Net carrying amount   | 1.5                                      | 28.9                             | 10.1                          | 40.5         |
| <b>Balance at 30 June 2008</b>  |  |                                  |                               |              |
| Cost (gross carrying amount)  | 1.5                                      | 13.9                             | 17.3                          | 32.7         |
| Accumulated depreciation and impairment                                 | –  | (1.8)                            | (6.3)                         | (8.1)        |
| Net carrying amount   | 1.5                                      | 12.1                             | 11.0                          | 24.6         |

### Depreciation expense

Depreciation expense of \$80.3 million (2008: \$68.7 million) for the consolidated entity and \$3.0 million (2008: \$3.2 million) for the Parent Entity is included in the line item 'depreciation and amortisation' in the income statement.

Depreciation expense of \$nil (2008: \$4.7 million) for the consolidated entity and \$nil (2008: \$nil) for the Parent Entity is included in the line item 'discontinued operations' in the income statement.

### Impairment loss

The consolidated entity reviewed the recoverable amount of its information technology assets. This identified certain assets that had become redundant as a result of being replaced by new systems and infrastructure. As a result, an impairment loss of \$21.5 million (2008: \$34.6 million) for the consolidated entity and \$1.3 million (2008: \$nil) for the Parent Entity have been recognised.

The consolidated entity reviewed the recoverable amount of a steam turbine generating plant within the Merchant Energy business.

The plant has suffered a number of operational failures in the past two years and there is significant uncertainty surrounding the reliability and longevity of the plant. As a result, an impairment loss of \$15.7 million (2008: \$nil) has been recognised.

In the 2008 financial year, the consolidated entity relocated its head office and the carrying value of leasehold improvements and other plant and equipment were written down by \$20.2 million and by \$19.9 million for the Parent Entity.

In the 2008 financial year, the carrying values of certain landfill gas extraction sites and a co-generating gas turbine within the Merchant Energy business were written down by \$3.6 million based on future cash flow forecasts.

At 31 December 2007, the consolidated entity assessed the recoverable amount of its Chilean gas distribution business. The carrying amount of the business was determined to be higher than its recoverable amount, and an impairment loss of \$18.8 million was recognised on property, plant and equipment.

**Note 23 – Property, plant and equipment (continued)**

The impairment loss of \$37.2 million (2008: \$58.4 million) for the consolidated entity and \$1.3 million (2008: \$19.9 million) for the Parent Entity is included in other expenses for continuing operations in the line item 'impairment of property, plant and equipment' in Note 6.

The impairment loss of \$nil (2008: \$18.8 million) relating to the Chilean gas distribution business is included in other expenses for discontinued operations in the line item 'impairment of property, plant and equipment' in Note 6.

**Leased plant and equipment**

The net carrying amount of plant and equipment disclosed above includes plant and equipment held under finance leases of \$141.4 million (2008: \$142.9 million) for the consolidated entity and \$nil (2008: \$nil) for the Parent Entity.

**Property, plant and equipment under construction**

The net carrying amount of plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of \$455.4 million (2008: \$263.5 million) for the consolidated entity and \$1.8 million (2008: \$5.1 million) for the Parent Entity.

|  | Goodwill<br>\$m | Licences<br>\$m | Customer<br>relationships<br>and contracts<br>\$m | Wind farm<br>development<br>rights<br>\$m | Other<br>\$m | Total<br>\$m |
|--|-----------------|-----------------|---|---|--------------|--------------|
| <b>Note 24 – Intangible assets</b>                       |                 |                 |   |   |              |              |
| <b>Consolidated – year ended 30 June 2009</b>            |                 |                 |   |   |              |              |
| Balance at 1 July 2008, net of accumulated amortisation  | 2,624.4         | 301.2           | 227.0   | –   | 2.3          | 3,154.9      |
| Acquisitions through business combinations (Note 47)     | –               | –               | –   | 28.4                                      | –            | 28.4         |
| Amortisation expense                                     | –               | –               | (22.1)  | –   | (0.1)        | (22.2)       |
| Balance at 30 June 2009, net of accumulated amortisation | 2,624.4         | 301.2           | 204.9   | 28.4                                      | 2.2          | 3,161.1      |
| <b>Balance at 1 July 2008</b>                            |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | 2,624.4         | 301.2           | 248.3   | –   | 3.7          | 3,177.6      |
| Accumulated amortisation                                 | –               | –               | (21.3)  | –   | (1.4)        | (22.7)       |
| Net carrying amount                                      | 2,624.4         | 301.2           | 227.0   | –   | 2.3          | 3,154.9      |
| <b>Balance at 30 June 2009</b>                           |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | 2,624.4         | 301.2           | 248.3   | 28.4                                      | 3.7          | 3,206.0      |
| Accumulated amortisation                                 | –               | –               | (43.4)  | –   | (1.5)        | (44.9)       |
| Net carrying amount                                      | 2,624.4         | 301.2           | 204.9   | 28.4                                      | 2.2          | 3,161.1      |
| <b>Consolidated – year ended 30 June 2008</b>            |                 |                 |   |   |              |              |
| Balance at 1 July 2007, net of accumulated amortisation  | 2,596.0         | 301.2           | 219.1   | –   | 5.2          | 3,121.5      |
| Acquisitions through business combinations (Note 47)     | –               | –               | 63.7  | –   | –            | 63.7         |
| Fair value adjustments on prior year acquisitions        | 43.6            | –               | (39.4)  | –   | –            | 4.2          |
| Amortisation expense                                     | –               | –               | (16.4)  | –   | (0.3)        | (16.7)       |
| Impairment loss  | (15.2)          | –               | –   | –   | (3.0)        | (18.2)       |
| Foreign currency exchange differences                    | –               | –               | –   | –   | 0.4          | 0.4          |
| Balance at 30 June 2008, net of accumulated amortisation | 2,624.4         | 301.2           | 227.0   | –   | 2.3          | 3,154.9      |
| <b>Balance at 1 July 2007</b>                            |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | 2,596.0         | 301.2           | 224.0   | –   | 8.6          | 3,129.8      |
| Accumulated amortisation                                 | –               | –               | (4.9)   | –   | (3.4)        | (8.3)        |
| Net carrying amount                                      | 2,596.0         | 301.2           | 219.1   | –   | 5.2          | 3,121.5      |
| <b>Balance at 30 June 2008</b>                           |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | 2,624.4         | 301.2           | 248.3   | –   | 3.7          | 3,177.6      |
| Accumulated amortisation                                 | –               | –               | (21.3)  | –   | (1.4)        | (22.7)       |
| Net carrying amount                                      | 2,624.4         | 301.2           | 227.0   | –   | 2.3          | 3,154.9      |

|  | Goodwill<br>\$m | Licences<br>\$m | Customer<br>relationships<br>and contracts<br>\$m | Wind farm<br>development<br>rights<br>\$m | Other<br>\$m | Total<br>\$m |
|--|-----------------|-----------------|---|---|--------------|--------------|
| <b>Parent Entity – year ended 30 June 2009</b>           |                 |                 |   |   |              |              |
| Balance at 1 July 2008, net of accumulated amortisation  | –               | –               | 61.7  | –   | –            | 61.7         |
| Amortisation expense                                     | –               | –               | (4.0)   | –   | –            | (4.0)        |
| Balance at 30 June 2009, net of accumulated amortisation | –               | –               | 57.7  | –   | –            | 57.7         |
| <b>Balance at 1 July 2008</b>                            |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | –               | –               | 63.7  | –   | –            | 63.7         |
| Accumulated amortisation                                 | –               | –               | (2.0)   | –   | –            | (2.0)        |
| Net carrying amount                                      | –               | –               | 61.7  | –   | –            | 61.7         |
| <b>Balance at 30 June 2009</b>                           |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | –               | –               | 63.7  | –   | –            | 63.7         |
| Accumulated amortisation                                 | –               | –               | (6.0)   | –   | –            | (6.0)        |
| Net carrying amount                                      | –               | –               | 57.7  | –   | –            | 57.7         |
| <b>Parent Entity – year ended 30 June 2008</b>           |                 |                 |   |   |              |              |
| Balance at 1 July 2007, net of accumulated amortisation  | –               | –               | –   | –   | –            | –            |
| Acquisitions through business combinations (Note 47)     | –               | –               | 63.7  | –   | –            | 63.7         |
| Amortisation expense                                     | –               | –               | (2.0)   | –   | –            | (2.0)        |
| Balance at 30 June 2008, net of accumulated amortisation | –               | –               | 61.7  | –   | –            | 61.7         |
| <b>Balance at 1 July 2007</b>                            |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | –               | –               | –   | –   | –            | –            |
| Accumulated amortisation                                 | –               | –               | –   | –   | –            | –            |
| Net carrying amount                                      | –               | –               | –   | –   | –            | –            |
| <b>Balance at 30 June 2008</b>                           |                 |                 |   |   |              |              |
| Cost (gross carrying amount)                             | –               | –               | 63.7  | –   | –            | 63.7         |
| Accumulated amortisation                                 | –               | –               | (2.0)   | –   | –            | (2.0)        |
| Net carrying amount                                      | –               | –               | 61.7  | –   | –            | 61.7         |

### Amortisation expense

Amortisation expense of \$22.2 million (2008: \$16.6 million) for the consolidated entity and \$4.0 million (2008: \$2.0 million) for the Parent Entity is included in the line item 'depreciation and amortisation' in the income statement.

Amortisation expense of \$nil (2008: \$0.1 million) for the consolidated entity and \$nil (2008: \$nil) for the Parent Entity is included in the line item 'discontinued operations' in the income statement.

### Impairment loss

At 31 December 2007, the consolidated entity assessed the recoverable amount of its Chilean gas distribution business within the Energy Investments CGU. The carrying amount of the business was determined to be higher than its recoverable amount, and an impairment loss of \$37.0 million was recognised. The impairment loss was allocated to the following assets: the carrying amount of goodwill was fully written off by \$15.2 million; the carrying amount of other intangible assets was fully written off by \$3.0 million and the carrying amount of property, plant and equipment was written down by \$18.8 million. The recoverable amount of the business was assessed by reference to the cash-generating unit's fair value less costs to sell.

The impairment loss of \$nil (2008: \$18.2 million) relating to goodwill and other intangible assets is included in other expenses for discontinued operations in the line item 'impairment of intangible assets' in Note 6.

### Impairment testing for goodwill and intangibles with indefinite useful lives

Goodwill and other intangible assets deemed to have indefinite lives that are significant in comparison to the consolidated entity's total carrying amount of intangible assets with indefinite lives have been allocated to cash-generating units (CGUs) for the purpose of impairment testing as follows:

**Note 24 – Intangible assets (continued)**

|   | Goodwill<br>\$m | Licences<br>\$m | Total intangible<br>assets with<br>indefinite lives<br>\$m |
|---|-----------------|-----------------|--|
| <b>Consolidated – year ended 30 June 2009</b> |                 |                 |  |
| <b>Cash-generating unit</b>                   |                 |                 |  |
| Retail and Merchant Energy                    | <b>2,624.4</b>  | <b>301.2</b>    | <b>2,925.6</b>   |
| <b>Consolidated – year ended 30 June 2008</b> |                 |                 |  |
| <b>Cash-generating unit</b>                   |                 |                 |  |
| Retail and Merchant Energy                    | 2,624.4         | 301.2           | 2,925.6  |

The licences \$301.2 million (2008: \$301.2 million) to operate hydro-electric power stations within the Retail and Merchant Energy CGU have been assessed as having indefinite lives. The factors considered in determining the useful lives of these licences are the long-term nature of the initial licences, the expectation that the licences will be renewed, the insignificant cost of renewal, and compliance with licensing obligations.

**Impairment testing for Retail and Merchant Energy**

The recoverable amount for the Retail and Merchant Energy CGU has been determined using value in use models. The key assumptions in the calculation of value in use are customer numbers, energy procurement costs and regulatory outcomes.

The estimate of regulatory outcomes is based on actual regulatory decisions for the current price reset period, which are publicly available, together with the consolidated entity's expectations of regulatory decisions beyond the current reset period. Customer

numbers are estimated based on historical experience in various segments together with marketing strategies for the retention and winning of customers. Energy procurement costs are estimated based on the actual hedge portfolio together with an estimate of future hedging prices and volumes beyond the period of the actual hedge portfolio.

The recoverable amount for the Retail and Merchant Energy CGU has been determined using a value in use model including an appropriate terminal value. Cash flow forecasts are based on Board approved budgets and the most recent three-year plan extrapolated out to 10 years using forecast CPI. The terminal value is based on final year free cash flow capitalised in perpetuity. Discount rates used are the pre-tax weighted average cost of capital of 13.4% (2008: 13.4%).

No impairment loss has been recognised for the Retail and Merchant Energy CGU for the year ended 30 June 2009 (2008: \$nil).

|   | Consolidated |             | Parent Entity  |             |
|---|--------------|-------------|----------------|-------------|
|   | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Note 25 – Other financial assets (non-current)</b>                   |              |             |                |             |
| Investments in subsidiaries – at cost                                   | –            | –           | <b>2,025.0</b> | 1,628.0     |
| Allowance for impairment in value                                       | –            | –           | <b>(25.2)</b>  | (25.2)      |
|   | –            | –           | <b>1,999.8</b> | 1,602.8     |
| Investments in associates – at cost                                     | –            | –           | <b>109.0</b>   | 438.3       |
| Investments in jointly controlled entities – at cost                    | –            | –           | <b>0.7</b>     | 0.7         |
|   | –            | –           | <b>2,109.5</b> | 2,041.8     |
| Available-for-sale investments – at fair value                          |              |             |                |             |
| – Shares in listed entities   | <b>1.2</b>   | –           | <b>1.2</b>     | –           |
| Loans to subsidiaries – at amortised cost                               | –            | –           | <b>5,731.2</b> | 5,412.3     |
| Allowance for impairment in value                                       | –            | –           | <b>(194.1)</b> | (194.1)     |
|   | –            | –           | <b>5,537.1</b> | 5,218.2     |
| Loans to associates and jointly controlled entities – at amortised cost | <b>110.7</b> | 99.3        | <b>110.7</b>   | 99.3        |
|   | <b>110.7</b> | 99.3        | <b>5,647.8</b> | 5,317.5     |
| Derivative financial instruments – at fair value (Note 56)              |              |             |                |             |
| – Interest rate swap contracts – cash flow hedges                       | –            | 21.5        | –              | 21.5        |
| – Forward foreign exchange contracts – cash flow hedges                 | <b>0.1</b>   | –           | <b>0.1</b>     | –           |
| – Energy derivatives – cash flow hedges                                 | <b>74.0</b>  | 343.3       | –              | –           |
|   | <b>74.1</b>  | 364.8       | <b>0.1</b>     | 21.5        |
|   | <b>186.0</b> | 464.1       | <b>7,758.6</b> | 7,380.8     |

Loans to subsidiaries are interest-bearing and are made in the ordinary course of business on normal commercial terms and conditions for an indefinite period.

For terms and conditions relating to loans to associates and jointly controlled entities, refer to Note 53.

|   | Consolidated |             | Parent Entity |             |
|---|--------------|-------------|---------------|-------------|
|   | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 26 – Other assets (non-current)</b>           |              |             |               |             |
| Green commodities scheme certificates and instruments | 19.0         | 38.2        | –             | –           |
| Defined benefit superannuation plan asset (Note 51)   | –            | 10.7        | –             | 10.7        |
| Generation dispatch agreements                        | 32.6         | 38.3        | –             | –           |
| Other   | 4.8          | 2.7         | 2.1           | –           |
|   | <b>56.4</b>  | 89.9        | <b>2.1</b>    | 10.7        |

**Note 27 – Trade and other payables (current)**

|                                     |              |       |             |      |
|-------------------------------------|--------------|-------|-------------|------|
| Trade payables and accrued expenses | 787.2        | 851.3 | 41.0        | 40.0 |
| Goods and services tax payable      | 11.7         | –     | –           | –    |
| Amounts owing to associates         | 1.9          | 0.7   | –           | –    |
|                                     | <b>800.8</b> | 852.0 | <b>41.0</b> | 40.0 |

Trade payables are generally settled within 30 days of the date of recognition.

For terms and conditions relating to amounts owing to associates, refer to Note 53.

**Note 28 – Borrowings (current)**

**At amortised cost**

|                        |   |   |   |   |
|------------------------|---|---|---|---|
| Bank loans – unsecured | – | – | – | – |
|------------------------|---|---|---|---|

**Note 29 – Provisions (current)**

|                             |             |      |            |     |
|-----------------------------|-------------|------|------------|-----|
| Employee benefits           | 27.1        | 22.5 | 8.0        | 0.1 |
| Onerous contracts (Note 35) | –           | 0.8  | –          | –   |
| Other (Note 35)             | 2.5         | 1.0  | –          | –   |
|                             | <b>29.6</b> | 24.3 | <b>8.0</b> | 0.1 |

**Note 30 – Other financial liabilities (current)**

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Derivative financial instruments – at fair value (Note 56)   |              |       |              |       |
| – Interest rate swap contracts – cash flow hedges            | 12.0         | –     | 12.0         | –     |
| – Forward foreign exchange contracts – cash flow hedges      | 0.3          | 1.5   | 0.3          | 1.5   |
| – Forward foreign exchange contracts – net investment hedges | –            | 0.7   | –            | 0.7   |
| – Energy derivatives – cash flow hedges                      | 78.0         | 101.8 | –            | –     |
| – Energy derivatives – economic hedges                       | 353.7        | 666.4 | 35.3         | 318.3 |
|  | <b>444.0</b> | 770.4 | <b>47.6</b>  | 320.5 |
| Loans from subsidiaries – at amortised cost                  | –            | –     | 480.0        | 480.0 |
|  | <b>444.0</b> | 770.4 | <b>527.6</b> | 800.5 |

Loans from subsidiaries are interest-bearing and are made in the ordinary course of business on normal commercial terms and conditions and are repayable on demand.

**Note 31 – Other liabilities (current)**

|                  |     |     |     |     |
|------------------|-----|-----|-----|-----|
| Unearned revenue | 1.4 | 1.9 | 1.3 | 1.8 |
|------------------|-----|-----|-----|-----|

**Note 32 – Liabilities of disposal groups classified as held for sale**

|   |   |      |   |   |
|---|---|------|---|---|
| Liabilities related to the PNG oil and gas business (Note 10)               | – | 39.5 | – | – |
| Liabilities related to the North Queensland gas pipeline business (Note 10) | – | 13.5 | – | – |
|   | – | 53.0 | – | – |

**Note 33 – Trade and other payables (non-current)**

|                                     |      |      |   |   |
|-------------------------------------|------|------|---|---|
| Trade payables and accrued expenses | 19.0 | 38.2 | – | – |
|-------------------------------------|------|------|---|---|

|   | Consolidated   |             | Parent Entity  |             |
|---|----------------|-------------|----------------|-------------|
|   | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m    | 2008<br>\$m |
| <b>Note 34 – Borrowings (non-current)</b>     |                |             |                |             |
| <b>At amortised cost</b>                      |                |             |                |             |
| Bank loans – unsecured                        | <b>1,104.1</b> | 2,077.5     | <b>1,104.1</b> | 2,077.5     |
| Finance lease liabilities – secured (Note 43) | <b>9.6</b>     | 8.8         | –              | –           |
| Customer deposits                             | <b>3.0</b>     | 12.1        | –              | 0.6         |
| Other loans – unsecured                       | <b>3.5</b>     | 3.3         | –              | –           |
|   | <b>1,120.2</b> | 2,101.7     | <b>1,104.1</b> | 2,078.1     |

**Significant terms and conditions**

Bank loans are unsecured and are repayable on maturity in October 2011 and June 2012. Bank loans bear interest at the relevant interbank reference rate plus a margin. The consolidated entity has entered into interest rate swap contracts to manage the exposure to interest rates. This has resulted in a weighted average interest rate on bank loans of 7.1% (2008: 7.6%)

Finance lease liabilities are secured over the assets leased.

Customer deposits relate to security deposits lodged with certain subsidiaries of the consolidated entity by gas and electricity customers. Deposits are normally held by the consolidated entity for periods of either one or two years. Other gas deposits are held until such time as the customers cease to be customers of the consolidated entity and all outstanding amounts are either paid or deducted from the security deposits.

**Note 35 – Provisions (non-current)**

|                           |              |       |             |     |
|---------------------------|--------------|-------|-------------|-----|
| Employee benefits         | <b>19.8</b>  | 17.6  | <b>10.1</b> | 0.1 |
| Environmental restoration | <b>32.7</b>  | 26.9  | <b>5.2</b>  | 2.0 |
| Onerous contracts         | <b>150.2</b> | 157.0 | –           | –   |
| Other                     | <b>0.2</b>   | 0.1   | –           | –   |
|                           | <b>202.9</b> | 201.6 | <b>15.3</b> | 2.1 |

Movements in each class of provision, except employee benefits are set out below:

|  | Environmental<br>restoration<br>\$m | Onerous<br>contracts<br>\$m | Other<br>\$m | Total<br>\$m  |
|--|-------------------------------------|-----------------------------|--------------|---------------|
| <b>Consolidated – year ended 30 June 2009</b>      |                                     |                             |              |               |
| Balance at beginning of financial year             | <b>26.9</b>                         | <b>157.8</b>                | <b>1.1</b>   | <b>185.8</b>  |
| Additional provisions recognised                   | <b>3.3</b>                          | <b>3.8</b>                  | <b>1.6</b>   | <b>8.7</b>    |
| Acquisitions through business combinations         | <b>0.7</b>                          | –                           | –            | <b>0.7</b>    |
| Provisions utilised                                | –                                   | <b>(21.8)</b>               | –            | <b>(21.8)</b> |
| Unwinding of discount and changes in discount rate | <b>1.8</b>                          | <b>10.4</b>                 | –            | <b>12.2</b>   |
| Balance at end of financial year                   | <b>32.7</b>                         | <b>150.2</b>                | <b>2.7</b>   | <b>185.6</b>  |
| Current  | –                                   | –                           | <b>2.5</b>   | <b>2.5</b>    |
| Non-current  | <b>32.7</b>                         | <b>150.2</b>                | <b>0.2</b>   | <b>183.1</b>  |
|  | <b>32.7</b>                         | <b>150.2</b>                | <b>2.7</b>   | <b>185.6</b>  |
| <b>Parent Entity – year ended 30 June 2009</b>     |                                     |                             |              |               |
| Balance at beginning of financial year             | <b>2.0</b>                          | –                           | –            | <b>2.0</b>    |
| Additional provisions recognised                   | <b>3.2</b>                          | –                           | –            | <b>3.2</b>    |
| Balance at end of financial year                   | <b>5.2</b>                          | –                           | –            | <b>5.2</b>    |
| Current  | –                                   | –                           | –            | –             |
| Non-current  | <b>5.2</b>                          | –                           | –            | <b>5.2</b>    |
|  | <b>5.2</b>                          | –                           | –            | <b>5.2</b>    |

**Environmental restoration**

A provision for environmental restoration is recognised when there is a present obligation as a result of exploration, development and production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities and restoring the affected areas.

**Onerous contracts**

A provision for onerous contracts is recognised where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 36 – Other financial liabilities (non-current)</b> |              |             |               |             |
| Derivative financial instruments – at fair value (Note 56) |              |             |               |             |
| – Interest rate swap contracts – cash flow hedges          | 9.7          | –           | 9.7           | –           |
| – Forward foreign exchange contracts – cash flow hedges    | 0.9          | 0.3         | 0.9           | 0.3         |
| – Energy derivatives – cash flow hedges                    | 48.4         | 12.5        | –             | –           |
|  | 59.0         | 12.8        | 10.6          | 0.3         |
| Loans from subsidiaries – at amortised cost                | –            | –           | 1,254.6       | 948.7       |
|  | 59.0         | 12.8        | 1,265.2       | 949.0       |

Loans from subsidiaries are interest-bearing and are made in the ordinary course of business on normal commercial terms and conditions and are repayable on demand.

### Note 37 – Other liabilities (non-current)

|   |      |      |      |   |
|---|------|------|------|---|
| Defined benefit superannuation plan liability (Note 51) | 53.3 | 6.9  | 11.2 | – |
| Unearned revenue  | 1.6  | 0.9  | –    | – |
| Other   | 8.9  | 6.7  | 2.3  | – |
|   | 63.8 | 14.5 | 13.5 | – |

### Note 38 – Issued capital

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| 447,536,000 (2008: 443,354,097) fully-paid ordinary shares | 4,030.3 | 3,971.6 | 4,030.3 | 3,971.6 |
|--|---------|---------|---------|---------|

|  | 2009                |         | 2008                |         |
|--|---------------------|---------|---------------------|---------|
|  | Number of<br>shares | \$m     | Number of<br>shares | \$m     |
| <b>Movement in fully-paid ordinary shares</b>                      |                     |         |                     |         |
| Balance at beginning of financial year                             | 443,354,097         | 3,971.6 | 433,555,467         | 3,858.9 |
| Shares issued under AGL Dividend Reinvestment Plan (a)(b)          | 4,181,903           | 58.7    | 2,633,758           | 29.8    |
| Shares issued to underwriter of the AGL Dividend Reinvestment Plan | –                   | –       | 7,164,872           | 83.1    |
| Transaction costs, net of related income tax                       | –                   | –       | –                   | (0.2)   |
| Balance at end of financial year                                   | 447,536,000         | 4,030.3 | 443,354,097         | 3,971.6 |

(a) On 26 September 2008, 2,783,210 ordinary shares were issued at \$13.80 per share to participating Shareholders under the AGL Dividend Reinvestment Plan.

(b) On 3 April 2009, 1,398,693 ordinary shares were issued at \$14.55 per share to participating Shareholders under the AGL Dividend Reinvestment Plan.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Every ordinary Shareholder present at a meeting of the Parent Entity in person or by proxy, is entitled to one vote per share.

|                              | Consolidated |             | Parent Entity |             |
|------------------------------|--------------|-------------|---------------|-------------|
|                              | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 39 – Reserves</b>    |              |             |               |             |
| Investments revaluation      | (1.1)        | –           | (1.1)         | –           |
| Foreign currency translation | –            | (24.5)      | –             | –           |
| Employee equity benefits     | 2.0          | 1.0         | 2.0           | 1.0         |
| Hedging                      | 12.2         | 524.9       | (15.9)        | 13.8        |
| Other                        | (0.1)        | (0.1)       | –             | –           |
|                              | 13.0         | 501.3       | (15.0)        | 14.8        |

### Movement in reserves

#### Investments revaluation reserve

|  |       |   |       |   |
|--|-------|---|-------|---|
| Balance at beginning of financial year | –     | – | –     | – |
| Valuation loss recognised              | (1.1) | – | (1.1) | – |
| Balance at end of financial year       | (1.1) | – | (1.1) | – |

The investments revaluation reserve is used to record the cumulative net change in fair value of available-for-sale financial assets until the investment is derecognised or impaired.

**Note 39 – Reserves (continued)**

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Foreign currency translation reserve</b>                    |              |             |               |             |
| Balance at beginning of financial year                         | (24.5)       | (9.6)       | –             | –           |
| Translation of foreign operations                              | 173.6        | 14.8        | –             | –           |
| Transferred to profit or loss on disposal of foreign operation | (83.3)       | (12.6)      | –             | –           |
| Net loss on hedge of net investment in foreign operations      | (62.8)       | (10.4)      | –             | –           |
| Transferred from hedging reserve                               | (2.7)        | –           | –             | –           |
| Share of gain in reserve attributable to associates            | –            | 0.5         | –             | –           |
| Deferred income tax  | (0.3)        | (7.2)       | –             | –           |
| Balance at end of financial year                               | –            | (24.5)      | –             | –           |

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the net investment in foreign operations.

**Employee equity benefits reserve**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Balance at beginning of financial year                          | 1.0   | 0.7   | 1.0   | 0.7   |
| Share-based payment plans expense                               | 2.8   | 2.1   | 2.8   | 2.1   |
| Purchase of shares on-market under AGL Share Reward Plan        | (1.2) | (1.2) | (1.2) | (1.2) |
| Purchase of shares on-market under AGL Long-Term Incentive Plan | (0.6) | (0.6) | (0.6) | (0.6) |
| Balance at end of financial year                                | 2.0   | 1.0   | 2.0   | 1.0   |

The employee equity benefits reserve is used to record the value of share-based payments to employees, including key management personnel, as part of their remuneration. Refer to Note 52 for further information on share-based payment plans.

**Hedging reserve**

|   |           |           |        |       |
|---|-----------|-----------|--------|-------|
| Balance at beginning of financial year              | 524.9     | 2,144.3   | 13.8   | 3.2   |
| (Loss)/gain recognised on cash flow hedges          | (1,238.2) | (1,262.2) | (39.3) | 18.3  |
| Transferred to profit or loss                       | 514.1     | (1,294.2) | (3.2)  | (3.1) |
| Transferred to foreign currency translation reserve | 2.7       | –         | –      | –     |
| Share of gain in reserve attributable to associates | 11.6      | 162.7     | –      | –     |
| Deferred income tax                                 | 197.1     | 774.3     | 12.8   | (4.6) |
| Balance at end of financial year                    | 12.2      | 524.9     | (15.9) | 13.8  |

The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

**Movement in reserves****Other reserve**

|   |       |       |   |   |
|---|-------|-------|---|---|
| Balance at beginning of financial year  | (0.1) | 2.1   | – | – |
| Share of net gain in reserve attributable to associates and jointly controlled entities | 0.3   | 0.3   | – | – |
| Transferred to profit or loss on disposal of jointly controlled entity                  | (0.3) | –     | – | – |
| Transfer to retained earnings on disposal of associate                                  | –     | (2.5) | – | – |
| Balance at end of financial year  | (0.1) | (0.1) | – | – |

The other reserve represents the consolidated entity's share of the reserves of associates and jointly controlled entities.

**Note 40 – Retained earnings**

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Balance at beginning of financial year  | 507.0   | 521.2   | 215.3   | 208.7   |
| Profit after tax attributable to Shareholders of the Parent Entity  | 1,596.1 | 229.0   | 1,651.9 | 239.1   |
| Dividends paid or provided (Note 11)  | (236.1) | (225.6) | (236.1) | (225.6) |
| Actuarial loss on defined benefit plans, net of tax   | (45.1)  | (9.7)   | (16.7)  | (6.9)   |
| Share of actuarial loss on defined benefit plans attributable to associates and jointly controlled entities | (19.5)  | (10.4)  | –       | –       |
| Transfer from other reserves on disposal of associate   | –       | 2.5     | –       | –       |
| Balance at end of financial year  | 1,802.4 | 507.0   | 1,614.4 | 215.3   |

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2009<br>cents | 2008<br>cents |
| <b>Note 41 – Earnings per share (EPS)</b>   |               |               |
| <b>Basic earnings/(loss) per share</b>  |               |               |
| From continuing operations  | <b>161.1</b>  | 72.6          |
| From discontinued operations  | <b>196.9</b>  | (20.0)        |
| <b>Total basic earnings per share</b>   | <b>358.0</b>  | 52.6          |
| <b>Diluted earnings/(loss) per share</b>  |               |               |
| From continuing operations  | <b>160.9</b>  | 72.6          |
| From discontinued operations  | <b>196.7</b>  | (20.0)        |
| <b>Total diluted earnings per share</b>   | <b>357.6</b>  | 52.6          |
| <b>Basic earnings per share – before significant items and changes in fair value of financial instruments</b>   |               |               |
| From continuing operations  | <b>83.2</b>   | 68.9          |
| From discontinued operations  | <b>7.8</b>    | 11.7          |
| <b>Total basic earnings per share</b>   | <b>91.0</b>   | 80.6          |
| <b>Diluted earnings per share – before significant items and changes in fair value of financial instruments</b> |               |               |
| From continuing operations  | <b>83.1</b>   | 68.8          |
| From discontinued operations  | <b>7.8</b>    | 11.7          |
| <b>Total diluted earnings per share</b>   | <b>90.9</b>   | 80.5          |

#### Earnings used in calculating basic and diluted earnings per share

|   | Continuing<br>operations<br>2009<br>\$m | Discontinued<br>operations<br>2009<br>\$m | Total<br>2009<br>\$m | Continuing<br>operations<br>2008<br>\$m | Discontinued<br>operations<br>2008<br>\$m | Total<br>2008<br>\$m |
|---|---|---|----------------------|---|---|----------------------|
| Profit/(loss) after tax attributable to Shareholders of the Parent Entity   | <b>718.2</b>                            | <b>877.9</b>                              | <b>1,596.1</b>       | 316.3                                   | (87.3)                                    | 229.0                |
| Earnings used to calculate basic and diluted EPS  | <b>718.2</b>                            | <b>877.9</b>                              | <b>1,596.1</b>       | 316.3                                   | (87.3)                                    | 229.0                |
| Less:   |   |   |                      |   |   |                      |
| Significant items after income tax  | <b>557.7</b>                            | <b>883.6</b>                              | <b>1,441.3</b>       | 208.5                                   | (145.9)                                   | 62.6                 |
| Changes in fair value of financial instruments after income tax   | <b>(210.6)</b>                          | <b>(40.4)</b>                             | <b>(251.0)</b>       | (192.2)                                 | 7.6                                       | (184.6)              |
| Earnings used to calculate basic and diluted EPS before significant items and changes in fair value of financial instruments after income tax | <b>371.1</b>                            | <b>34.7</b>                               | <b>405.8</b>         | 300.0                                   | 51.0                                      | 351.0                |

#### Weighted average number of ordinary shares

|  | 2009<br>No. millions | 2008<br>No. millions |
|--|----------------------|----------------------|
| Weighted average number of ordinary shares used in the calculation of basic EPS          | <b>445.8</b>         | 435.6                |
| Effect of dilution – LTIP share performance rights                                       | <b>0.5</b>           | 0.2                  |
| <b>Weighted average number of ordinary shares used in the calculation of diluted EPS</b> | <b>446.3</b>         | 435.8                |

|  | Consolidated |              | Parent Entity |             |
|--|--------------|--------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m  | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 42 – Capital and other expenditure commitments</b>                                   |              |              |               |             |
| <b>Capital expenditure commitments</b>   |              |              |               |             |
| <b>Property, plant and equipment</b>   |              |              |               |             |
| Contracted for at reporting date but not provided for and payable:                           |              |              |               |             |
| Not later than one year  | 172.0        | 221.0        | –             | –           |
| Later than one year but not later than five years  | 50.0         | 28.2         | –             | –           |
| Later than five years  | –            | –            | –             | –           |
|  | <b>222.0</b> | <b>249.2</b> | <b>–</b>      | <b>–</b>    |
| <b>Consolidated entity's share of joint venture operations capital commitments</b>           |              |              |               |             |
| Not later than one year  | –            | 2.3          | –             | –           |
| Later than one year but not later than five years  | –            | –            | –             | –           |
| Later than five years  | –            | –            | –             | –           |
|  | <b>–</b>     | <b>2.3</b>   | <b>–</b>      | <b>–</b>    |
| <b>Consolidated entity's share of jointly controlled entities' capital commitments</b>       |              |              |               |             |
| Not later than one year  | –            | 0.5          | –             | –           |
| Later than one year but not later than five years  | –            | –            | –             | –           |
| Later than five years  | –            | –            | –             | –           |
|  | <b>–</b>     | <b>0.5</b>   | <b>–</b>      | <b>–</b>    |
| <b>Other expenditure commitments</b>   |              |              |               |             |
| <b>Consolidated entity's share of joint venture operations other expenditure commitments</b> |              |              |               |             |
| Not later than one year  | 36.2         | 1.3          | –             | –           |
| Later than one year but not later than five years  | –            | –            | –             | –           |
| Later than five years  | –            | –            | –             | –           |
|  | <b>36.2</b>  | <b>1.3</b>   | <b>–</b>      | <b>–</b>    |
| <b>Other – Information technology services</b>   |              |              |               |             |
| Not later than one year  | 29.7         | 33.4         | –             | –           |
| Later than one year but not later than five years  | 54.7         | 75.4         | –             | –           |
| Later than five years  | –            | –            | –             | –           |
|  | <b>84.4</b>  | <b>108.8</b> | <b>–</b>      | <b>–</b>    |

**Note 43 – Lease commitments**

|   | Minimum<br>future lease<br>payments<br>2009<br>\$m | Present<br>value of<br>payments<br>2009<br>\$m | Minimum<br>future lease<br>payments<br>2008<br>\$m | Present<br>value of<br>payments<br>2008<br>\$m |
|---|--|--|--|--|
| <b>Finance lease liabilities</b>                  |  |  |  |  |
| <b>Consolidated</b>                               |  |  |  |  |
| Not later than one year                           | –  | –  | –  | –  |
| Later than one year but not later than five years | –  | –  | –  | –  |
| Later than five years                             | 178.4  | 9.6  | 178.4  | 8.8  |
| Minimum future lease payments*                    | 178.4  | 9.6  | 178.4  | 8.8  |
| Less future finance charges                       | (168.8)  | –  | (169.6)  | –  |
| Present value of minimum lease payments           | <b>9.6</b>   | <b>9.6</b>                                     | <b>8.8</b>   | <b>8.8</b>                                     |
| Included in the financial statements as:          |  |  |  |  |
| Current borrowings (Note 28)                      |  | –  |  | –  |
| Non-current borrowings (Note 34)                  |  | 9.6  |  | 8.8  |
|   |  | <b>9.6</b>                                     |  | <b>8.8</b>                                     |

\* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

The Parent Entity has no finance lease liabilities.

Finance leases comprise leases of property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options, escalation clauses or restrictions imposed by lease arrangements concerning dividends, additional debt and further leasing.

|   | Consolidated |             | Parent Entity |             |
|---|--------------|-------------|---------------|-------------|
|   | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Operating leases</b>   |              |             |               |             |
| Non-cancellable operating lease rentals are payable as follows: |              |             |               |             |
| Not later than one year   | <b>17.2</b>  | 9.6         | <b>3.3</b>    | 1.8         |
| Later than one year but not later than five years               | <b>44.5</b>  | 34.9        | <b>14.5</b>   | 7.8         |
| Later than five years   | <b>37.2</b>  | 46.4        | <b>17.0</b>   | 11.7        |
|   | <b>98.9</b>  | 90.9        | <b>34.8</b>   | 21.3        |

The consolidated entity has entered into commercial non-cancellable operating leases on certain properties and other plant and equipment. Leases vary in contract period depending on the asset involved. Renewal terms are included in certain contracts, whereby renewal is at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

#### Note 44 – Contingent liabilities and contingent assets

##### Contingent liabilities

|  |   |      |              |       |
|--|---|------|--------------|-------|
| Guarantees and warranties in respect of subsidiaries | – | –    | <b>576.3</b> | 215.7 |
| Contingent consideration under contract (a)          | – | 51.0 | –            | –     |
|  | – | 51.0 | <b>576.3</b> | 215.7 |

(a) In November 2005, AGL and Sydney Gas Limited (SGL) formed a 50/50 joint venture involving all of SGL's assets and permits in New South Wales. Under the joint venture arrangement, AGL would pay up to a further \$51.0 million upon the proving up of up to an additional 500 petajoules of Proved (1P) coal seam gas reserves in the Camden Gas Project area by 31 December 2008, based upon an agreed reserve formula with reserves verified by an independent external expert. As at 31 December 2008, any increase in 1P reserves was not achieved.

##### Other contingent liabilities

Details of other contingent liabilities which Directors consider should be disclosed are set out below. The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

- (a) The consolidated entity has various contingent liabilities arising in connection with the sale of certain subsidiaries and a jointly controlled entity. Under the various sale agreements the consolidated entity has given warranties and indemnities in relation to tax related matters, environmental and other specific liabilities.
- (b) The consolidated entity's financial statements include income derived from gas sales in the Victorian gas market on 22 November 2008 when the spot gas price reached the enforced price cap of \$800 per gigajoule. TRUenergy Pty Ltd issued a dispute notice to VENCORP, the gas market operator in Victoria, claiming that a 'participant force majeure event' occurred and that VENCORP should have declared an administered price cap of \$40 per gigajoule. AGL was a party to the dispute which was referred to a dispute panel for determination in April 2009, which established that TRUenergy was unsuccessful in its application. In July 2009 TRUenergy advised AGL that it had filed a notice with the Supreme Court of Victoria appealing the panel's decision. If TRUenergy is successful on appeal, the amount of \$800 per gigajoule would be replaced with the administered price cap of \$40 per gigajoule and would require a resettlement of receipts for that day. The impact to AGL if that occurred would be approximately \$27.0 million before tax.

- (c) Certain entities in the consolidated entity are party to various other legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the consolidated entity.

The Parent Entity has undertaken to provide financial support, as and when required, to certain wholly-owned subsidiaries, so as to enable those entities to pay their debts as and when such debts become due and payable.

The Parent Entity has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly-owned subsidiaries.

##### Contingent assets

There are no contingent assets for the consolidated entity or the Parent Entity.

|  | Consolidated  |               | Parent Entity |               |
|--|---------------|---------------|---------------|---------------|
|  | 2009<br>\$000 | 2008<br>\$000 | 2009<br>\$000 | 2008<br>\$000 |
| <b>Note 45 – Remuneration of auditors</b>                  |               |               |               |               |
| <b>Auditor of the Parent Entity</b>                        |               |               |               |               |
| Audit and review of financial reports                      | 1,353         | 1,867         | 240           | 225           |
| Other regulatory audit services                            | 72            | 86            | –             | –             |
| Other assurance services                                   | 38            | 37            | 38            | –             |
| Other accounting advice and services                       | 122           | 122           | –             | –             |
|  | <b>1,585</b>  | <b>2,112</b>  | <b>278</b>    | <b>225</b>    |
| <b>Other auditors</b>                                      |               |               |               |               |
| Review of Completion Statements for disposal of a business | –             | 37            | –             | –             |

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu.

|   | Note   | Country of incorporation | Ownership interest |           |
|---|--------|--------------------------|--------------------|-----------|
|   |        |                          | 2009<br>%          | 2008<br>% |
| <b>Note 46 – Subsidiaries</b>   |        |                          |                    |           |
| <b>Parent Entity</b>  |        |                          |                    |           |
| AGL Energy Limited  |        | Australia                |                    |           |
| <b>Subsidiaries</b>   |        |                          |                    |           |
| AGL Limited   |        | New Zealand              | 100                | 100       |
| AGL ACT Retail Investments Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Corporate Services Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Electricity (VIC) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Energy Limited  |        | New Zealand              | 100                | 100       |
| AGL Energy Sales & Marketing Limited  | (a)    | Australia                | 100                | 100       |
| AGL Energy Services Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Energy Services (Queensland) Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Gas Developments (Hunter) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Gas Developments (PNG) Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Gas Developments (Sydney) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Gas Production (Camden) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Gas Trading Pty Limited   | (e)    | Australia                | –                  | 100       |
| AGL Gloucester LE Pty Ltd<br>(formerly Lucas Energy Pty Ltd)                                    | (a)(b) | Australia                | 100                | –         |
| AGL Gloucester MG Pty Ltd<br>(formerly Molopo (Gloucester) NL)                                  | (a)(b) | Australia                | 100                | –         |
| AGL HP1 Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL HP2 Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL HP3 Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Hydro Operations Pty Limited  | (e)    | Australia                | –                  | 100       |
| AGL Hydro Partnership   |        | Australia                | 100                | 100       |
| AGL Pipelines Investments Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Pipelines Investments (QLD) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Power Generation (Hallett Hill) Pty Limited   | (d)    | Australia                | –                  | 100       |
| AGL Power Generation (NSW) Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Power Generation (QLD) Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Power Generation (Victoria) Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Power Generation (Wind) Pty Limited<br>(formerly Allco Wind Energy Investments Pty Limited) | (a)(b) | Australia                | 100                | –         |
| AGL Retail Energy Limited   | (a)    | Australia                | 100                | 100       |
| AGL SA Generation Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Sales Pty Limited   | (a)    | Australia                | 100                | 100       |
| AGL Sales (Queensland) Pty Limited  | (a)    | Australia                | 100                | 100       |
| AGL Sales (Queensland Electricity) Pty Limited  | (a)    | Australia                | 100                | 100       |

|   | Note   | Country of incorporation | Ownership interest<br>2009<br>% | Ownership interest<br>2008<br>% |
|---|--------|--------------------------|---------------------------------|---------------------------------|
| AGL Share Plan Pty Limited  |        | Australia                | 100                             | 100                             |
| AGL (SG) Pty Limited<br>(formerly Sydney Gas Ltd)   | (a)(b) | Australia                | 100                             | –                               |
| AGL (SG) (Camden) Operations Pty Limited<br>(formerly Sydney Gas (Camden) Operations Pty Ltd) | (a)(b) | Australia                | 100                             | –                               |
| AGL (SG) (Hunter) Operations Pty Limited<br>(formerly Sydney Gas (Hunter) Operations Pty Ltd) | (a)(b) | Australia                | 100                             | –                               |
| AGL (SG) (Wyang) Operations Pty Limited<br>(formerly Sydney Gas (Wyang) Operations Pty Ltd)   | (a)(b) | Australia                | 100                             | –                               |
| AGL (SG) Operations Pty Limited<br>(formerly Sydney Gas Operations Pty Ltd)                   | (a)(b) | Australia                | 100                             | –                               |
| AGL (SHL) Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| AGL South Australia Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| AGL Southern Hydro Holdings Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| AGL Southern Hydro Investments Pty Ltd  | (a)    | Australia                | 100                             | 100                             |
| AGL Southern Hydro Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| AGL Southern Hydro (NSW) Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| AGL Torrens Island Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| AGL Torrens Island Holdings Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| AGL Utility Services Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| AGL Wholesale Gas Limited   | (a)    | Australia                | 100                             | 100                             |
| AGL Wholesale Gas (SA) Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| Australian Energy Ltd   | (a)    | Australia                | 100                             | 100                             |
| Australia Plains Wind Farm Pty Ltd  | (a)(b) | Australia                | 100                             | –                               |
| Ben Lomond Wind Farm Pty Ltd  | (a)(b) | Australia                | 100                             | –                               |
| Box Hill Wind Farm Pty Limited  | (a)(b) | Australia                | 100                             | –                               |
| Brown Hill North Pty Limited  | (a)(c) | Australia                | 100                             | –                               |
| Coopers Gap Wind Farm Pty Ltd   | (a)(b) | Australia                | 100                             | –                               |
| Crows Nest Wind Farm Pty Ltd  | (a)(b) | Australia                | 100                             | –                               |
| Dollar Wind Farm Pty Limited  | (e)    | Australia                | –                               | 100                             |
| Dual Fuel Systems Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| Dual Fuel No. 2 Pty Limited   | (c)(d) | Australia                | –                               | –                               |
| Essential Energy Services Pty Ltd   | (e)    | Australia                | –                               | 100                             |
| Geogen Australia Pty Ltd  | (a)(b) | Australia                | 100                             | –                               |
| Geogen Pty Limited  | (a)(b) | Australia                | 100                             | –                               |
| Geogen Victoria Pty Ltd   | (a)(b) | Australia                | 100                             | –                               |
| Hallett 4 Pty Limited   | (a)(c) | Australia                | 100                             | –                               |
| H C Extractions Pty Limited   | (a)    | Australia                | 100                             | 100                             |
| Highfields Wind Farm Pty Limited  | (a)(b) | Australia                | 100                             | –                               |
| Macarthur Wind Farm Pty Ltd   | (a)    | Australia                | 100                             | 100                             |
| North Brown Hill Pty Limited  | (c)    | Australia                | 100                             | –                               |
| North Queensland Pipeline No 1 Pty Ltd  | (d)    | Australia                | –                               | 100                             |
| Oaklands Hill Wind Farm Pty Ltd   | (a)(b) | Australia                | 100                             | –                               |
| PGI Pty Ltd   | (a)    | Australia                | 100                             | 100                             |
| Powerdirect Pty Ltd   | (a)    | Australia                | 100                             | 100                             |
| Victorian Energy Pty Limited  | (a)    | Australia                | 100                             | 100                             |
| Worlds End Wind Farm Pty Ltd  | (a)(b) | Australia                | 100                             | –                               |

(a) These wholly-owned subsidiaries are parties to a Deed of Cross Guarantee as detailed in Note 49.

(b) Acquired during the financial year.

(c) Incorporated during the financial year.

(d) Disposed during the financial year.

(e) Deregistered/liquidated during the financial year.

**Note 47 – Acquisition of subsidiaries and businesses****Acquisition of wind farm development projects**

On 23 July 2008, the consolidated entity acquired 100% of the issued capital of Allco Wind Energy Investments Pty Limited (now AGL Power Generation (Wind) Pty Limited) and its subsidiaries from Allco Finance Group Limited for \$14.5 million including costs directly attributable to the acquisition of \$2.0 million.

The assets of the acquired entities comprised six wind farm development projects in Queensland, New South Wales and South Australia.

On 9 December 2008, the consolidated entity acquired 100% of the issued capital of Coopers Gap Wind Farm Pty Ltd and Oaklands Hill Wind Farm Pty Ltd from Investec Wind Holdings Pty Ltd for \$14.3 million including costs directly attributable to the acquisition of \$0.3 million.

The assets of the acquired entities comprised two wind farm development projects in Queensland and Victoria.

From the date of acquisition, the entities have contributed \$nil to revenue and \$nil to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

**Acquisition of Gloucester Basin coal seam gas interests**

On 19 December 2008, the consolidated entity acquired 100% of the issued capital of Lucas Energy Pty Limited (now AGL Gloucester LE Pty Ltd) from AJ Lucas Group Limited and 100% of the issued capital of Molopo (Gloucester) NL (now AGL Gloucester MG Pty Ltd) from Molopo Australia Limited for \$377.8 million including costs directly attributable to the acquisition of \$5.7 million.

The acquired entities hold 100% of the interests in petroleum exploration licence PEL 285, the Gloucester Basin Gas Project in New South Wales. PEL 285 had 175 petajoules of 2P reserves certified by the internationally recognised petroleum consultant Netherland, Sewell & Associates, Inc. (NSAI) as at February 2008.

From the date of acquisition, the entities have contributed \$nil to revenue and \$nil to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

**Acquisition of Sydney Gas Limited**

On 31 March 2009, the consolidated entity completed the acquisition of 100% of the issued capital of Sydney Gas Limited (now AGL (SG) Pty Limited) by way of an off-market takeover for \$189.9 million including costs directly attributable to the acquisition of \$2.9 million. For consolidation purposes, the acquisition is considered to be effective from 27 January 2009.

Sydney Gas is a gas exploration company whose activities are the development of coal seam gas resources in New South Wales. Sydney Gas holds in joint venture with the consolidated entity four petroleum exploration licences (PELs 2, 4, 5 and 267) and five petroleum production leases (PPLs 1, 2, 4, 5, and 6). The joint venture comprises three projects: the Camden Project, the Hunter Project and the Sydney Project.

From the date of acquisition, the entities have contributed \$nil to revenue and a loss of \$0.7 million to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

**Acquisition of other coal seam gas interests**

On 5 November 2008, the consolidated entity acquired 50% of Tri-Star Petroleum Company's (Tri-Star) joint venture working interests and related assets in the Spring Gully Project in Queensland for \$15.9 million including costs directly attributable to the acquisition of \$0.1 million.

Tri-Star held a 1.5% interest in the project agreement in relation to ATP 592P, PL 195 and PL 203 and a 0.075% interest in the project agreement in relation to PL 204. The consolidated entity has acquired 50% of these interests and will become a participant in the associated joint ventures.

The consolidated entity also acquired the rights to take 400 terajoules of Tri-Star's banked gas from the Spring Gully Project comprising past production where Tri-Star has elected not to participate in gas sales agreements.

On 17 February 2009, the consolidated entity acquired a 35% interest in petroleum exploration licence PEL 101 and a 37.5% interest in PEL 103 in the Cooper Basin in South Australia from Innamincka Petroleum Limited for \$16.0 million including costs directly attributable to the acquisition of \$1.0 million.

Under the farm-in arrangements, the consolidated entity will also fund a \$10 million work program primarily aimed at evaluating the recently identified coal seam gas prospect known as the Innamincka Dome located in PEL 103.

PEL 101 includes the Ginko and Crocus gas fields. As well as the Innamincka Dome, PEL 103 includes the Juniper and producing Flax oil fields and the Yarrow gas field.

From the date of acquisition, the assets have contributed \$0.3 million to revenue and \$0.3 million to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

**Acquisition of Geogen geothermal assets**

On 11 December 2008, the consolidated entity acquired 100% of the issued capital of Geogen Pty Limited and Geogen Victoria Pty Ltd from the Kitch Family Trust and A G Carroll for \$5.1 million including costs directly attributable to the acquisition of \$0.1 million.

The acquired entities' activities are the exploration for and evaluation of geothermal resources close to the National Electricity Market in Victoria, New South Wales and Queensland.

From the date of acquisition, the entities have contributed \$nil to revenue and \$nil to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

The fair value of the identifiable assets and liabilities of each acquisition as at the respective dates of acquisition were as follows:

|   | Wind farm development projects |                               | Gloucester Basin CSG interests |                               | Sydney Gas Limited |                               | Spring Gully Project and Cooper Basin CSG interests |                               | Geogen geothermal assets |                               | Total fair value on acquisition \$m |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------|-------------------------------|---|-------------------------------|--------------------------|-------------------------------|-------------------------------------|
|   | Book value \$m                 | Fair value on acquisition \$m | Book value \$m                 | Fair value on acquisition \$m | Book value \$m     | Fair value on acquisition \$m | Book value \$m                                      | Fair value on acquisition \$m | Book value \$m           | Fair value on acquisition \$m |                                     |
| <b>Net assets acquired</b>                      |                                |                               |                                |                               |                    |                               |   |                               |                          |                               |                                     |
| <b>Assets</b>                                   |                                |                               |                                |                               |                    |                               |   |                               |                          |                               |                                     |
| Cash and cash equivalents                       | -                              | -                             | -                              | -                             | 9.1                | 9.1                           | -   | -                             | -                        | -                             | 9.1                                 |
| Trade and other receivables                     | 0.4                            | 0.4                           | -                              | -                             | 6.3                | 6.2                           | -   | -                             | -                        | -                             | 6.6                                 |
| Inventories                                     | -                              | -                             | -                              | -                             | 1.8                | 1.8                           | -   | 1.3                           | -                        | -                             | 3.1                                 |
| Other assets                                    | -                              | -                             | -                              | -                             | 2.3                | 2.3                           | -   | -                             | -                        | -                             | 2.3                                 |
| Exploration and evaluation assets               | -                              | -                             | 29.6                           | 377.8                         | 10.6               | 133.4                         | -   | 14.2                          | -                        | 5.1                           | 530.5                               |
| Oil and gas assets                              | -                              | -                             | -                              | -                             | 37.8               | 37.8                          | -   | 16.4                          | -                        | -                             | 54.2                                |
| Property, plant and equipment                   | -                              | -                             | -                              | -                             | 3.6                | 3.6                           | -   | -                             | -                        | -                             | 3.6                                 |
| Intangible assets                               | 4.8                            | 28.4                          | -                              | -                             | -                  | -                             | -   | -                             | -                        | -                             | 28.4                                |
| Deferred tax assets                             | -                              | -                             | -                              | -                             | -                  | 4.2                           | -   | -                             | -                        | -                             | 4.2                                 |
|   | 5.2                            | 28.8                          | 29.6                           | 377.8                         | 71.5               | 198.4                         | -   | 31.9                          | -                        | 5.1                           | 642.0                               |
| <b>Liabilities</b>                              |                                |                               |                                |                               |                    |                               |   |                               |                          |                               |                                     |
| Trade and other payables                        | -                              | -                             | -                              | -                             | (7.0)              | (6.7)                         | -   | -                             | -                        | -                             | (6.7)                               |
| Provisions                                      | -                              | -                             | -                              | -                             | (1.0)              | (1.0)                         | -   | -                             | -                        | -                             | (1.0)                               |
| Other liabilities                               | -                              | -                             | -                              | -                             | (0.8)              | (0.8)                         | -   | -                             | -                        | -                             | (0.8)                               |
|   | -                              | -                             | -                              | -                             | (8.8)              | (8.5)                         | -   | -                             | -                        | -                             | (8.5)                               |
| Fair value of identifiable net assets           |                                | 28.8                          |                                | 377.8                         |                    | 189.9                         |   | 31.9                          |                          | 5.1                           | 633.5                               |
| Goodwill on acquisition                         |                                | -                             |                                | -                             |                    | -                             |   | -                             |                          | -                             | -                                   |
|   |                                | 28.8                          |                                | 377.8                         |                    | 189.9                         |   | 31.9                          |                          | 5.1                           | 633.5                               |
| <b>Consideration</b>                            |                                |                               |                                |                               |                    |                               |   |                               |                          |                               |                                     |
| Cash paid including directly attributable costs |                                | 28.8                          |                                | 377.8                         |                    | 189.7                         |   | 31.9                          |                          | 4.1                           | 632.3                               |
| Deferred consideration payable                  |                                | -                             |                                | -                             |                    | -                             |   | -                             |                          | 1.0                           | 1.0                                 |
| Directly attributable costs payable             |                                | -                             |                                | -                             |                    | 0.2                           |   | -                             |                          | -                             | 0.2                                 |
|   |                                | 28.8                          |                                | 377.8                         |                    | 189.9                         |   | 31.9                          |                          | 5.1                           | 633.5                               |

The initial accounting for the above acquisitions has only been provisionally determined at reporting date. Subject to the finalisation of the provisional acquisition accounting, all identifiable intangible assets have been recognised separately from goodwill. In accordance with the requirements of AASB 3 *Business Combinations*, the consolidated entity has 12 months from the date of acquisition to finalise its acquisition accounting, and therefore the information presented should be considered provisional.

**Note 47 – Acquisition of subsidiaries and businesses (continued)****Acquisition of Torrens Island Power Station**

In the 2008 financial year, the consolidated entity acquired 100% of the issued capital of AGL Torrens Island Holdings Pty Limited from TRUenergy on 2 July 2007, for \$479.5 million in cash (including costs of \$3.1 million directly attributable to the acquisition) and the assumption of a \$96.8 million liability.

The business included the 1,280 MW Torrens Island gas fired power station in South Australia. As part of the transaction, the consolidated entity also acquired a 10-year, 300-petajoule, gas sales agreement expiring in 2017, together with the associated SEAGas pipeline haulage contract which expires in 2019.

**Acquisition of North Queensland merchant gas and pipeline businesses**

In the 2008 financial year, the Parent Entity, in a 50/50 joint venture with Arrow Energy Limited, acquired the gas merchant and pipeline businesses of the Queensland Power Trading Corporation (Enertrade) from the Queensland Government on 1 December 2007. The Parent Entity's share of the acquisition cost was \$141.8 million including costs directly attributable to the acquisition of \$7.8 million.

The gas merchant business comprised the purchase of gas from the Moranbah Gas Project coal seam gas operations to sell to large customers in Townsville and dispatch management of the 230 MW Yabulu Power Station in Townsville into the National Electricity Market. The Parent Entity acquired 100% of the issued capital of North Queensland Pipeline No 1 Pty Ltd that is a 50% participant in the North Queensland Gas Pipeline joint venture. The pipeline business included the 392km North Queensland gas pipeline between Moranbah and Townsville and the Moranbah gas processing facility. Rights to develop the Central Queensland gas pipeline between Moranbah and Gladstone were also acquired under the transaction.

On 30 June 2008, the Parent Entity and its 50/50 joint venture partner, Arrow Energy Limited, announced they had entered into a sale and purchase agreement with Victorian Funds Management Corporation for the sale of the North Queensland gas pipeline. The disposal was completed on 1 August 2008. The joint venture retains ownership of the gas processing and compression facility located at Moranbah, which will be integrated into the Moranbah Gas Project joint venture. At 30 June 2008, the carrying value of the gas pipeline business was classified as a disposal group held for sale.

The fair value of the identifiable assets and liabilities of each acquisition as at the respective dates of acquisition were as follows:

|   | Torrens Island<br>Power Station     | North Queensland<br>merchant gas<br>and pipeline | Total fair<br>value on<br>acquisition<br>\$m |
|---|-------------------------------------|--|--|
|   | Fair value on<br>acquisition<br>\$m | Fair value on<br>acquisition<br>\$m              |  |
| <b>Net assets acquired</b>                        |                                     |  |  |
| <b>Assets</b>                                     |                                     |  |  |
| Cash and cash equivalents                         | 1.2                                 | –  | 1.2  |
| Trade and other receivables                       | 46.4                                | 2.2  | 48.6   |
| Inventories                                       | 18.7                                | 0.6  | 19.3   |
| Other financial assets                            | –                                   | 42.9   | 42.9   |
| Other assets                                      | 0.1                                 | 0.7  | 0.8  |
| Investments accounted for using the equity method | –                                   | 0.7  | 0.7  |
| Property, plant and equipment                     | 689.4                               | 107.3  | 796.7  |
| Intangible assets                                 | –                                   | 63.7   | 63.7   |
| Deferred tax assets                               | 62.5                                | –  | 62.5   |
|   | 818.3                               | 218.1  | 1,036.4                                      |
| <b>Liabilities</b>                                |                                     |  |  |
| Trade and other payables                          | (5.6)                               | (2.1)  | (7.7)  |
| Provisions  | (197.1)                             | (0.1)  | (197.2)                                      |
| Deferred tax liabilities                          | (31.4)                              | (12.8)   | (44.2)                                       |
| Other financial liabilities                       | –                                   | (60.0)   | (60.0)                                       |
| Other liabilities                                 | (7.9)                               | (1.3)  | (9.2)  |
|   | (242.0)                             | (76.3)   | (318.3)                                      |
| Fair value of identifiable net assets             | 576.3                               | 141.8  | 718.1  |
| Goodwill on acquisition                           | –                                   | –  | –  |
|   | 576.3                               | 141.8  | 718.1  |
| <b>Consideration</b>                              |                                     |  |  |
| Cash paid including directly attributable costs   | 479.5                               | 141.8  | 621.3  |
| Liabilities assumed                               | 96.8                                | –  | 96.8   |
|   | 576.3                               | 141.8  | 718.1  |

|   | Consolidated  |               | Parent Entity |               |
|---|---------------|---------------|---------------|---------------|
|   | 2009<br>\$000 | 2008<br>\$000 | 2009<br>\$000 | 2008<br>\$000 |
| <b>Net cash outflow on acquisitions</b>         |               |               |               |               |
| Cash paid including directly attributable costs | <b>632.3</b>  | 621.3         | <b>628.2</b>  | 141.8         |
| Cash and cash equivalent balances acquired      | <b>(9.1)</b>  | (1.2)         | –             | –             |
| <b>Net cash outflow on acquisitions</b>         | <b>623.2</b>  | 620.1         | <b>628.2</b>  | 141.8         |

#### Note 48 – Jointly controlled operations and assets

| Joint venture/area                      | Principal activities               | Output interest  |           |
|---|------------------------------------|------------------|-----------|
|   |                                    | 2009<br>%        | 2008<br>% |
| Camden Gas Project (a)                  | Gas production and exploration     | –                | 50.0      |
| Sydney Basin Exploration (a)            | Gas exploration                    | –                | 50.0      |
| Hunter Exploration (a)                  | Gas exploration                    | –                | 50.0      |
| Moranbah Gas Project                    | Gas production and exploration     | <b>50.0</b>      | 50.0      |
| Moranbah Exploration                    | Gas exploration                    | <b>50.0</b>      | 50.0      |
| Gallilee Basin                          | Gas exploration                    | <b>50.0</b>      | –         |
| Spring Gully Project                    | Gas production and exploration     | <b>0.75</b>      | –         |
| Cooper Basin                            | Gas exploration and oil production | <b>35.0–37.5</b> | –         |
| PNG – PDL 2 (Kutubu, Moran, SE Mananda) | Oil production                     | –                | 11.9      |
| PNG – PDL 4 (Gobe Main, SE Gobe)        | Oil production                     | –                | 66.7      |
| PNG – Moran Unit                        | Oil production                     | –                | 5.2       |
| PNG – SE Gobe Unit                      | Oil production                     | –                | 27.3      |
| PNG – PL 2 Kutubu Pipeline              | Oil transportation                 | –                | 11.9      |
| PNG – PL 3 Gobe Pipeline                | Oil transportation                 | –                | 47.0      |
| PNG – LNG Project                       | Gas project                        | –                | 3.6       |
| North Queensland Energy                 | Sale of gas and electricity        | <b>50.0</b>      | 50.0      |
| North Queensland Gas Pipeline           | Gas transportation                 | –                | 50.0      |

(a) On 31 March 2009, the consolidated entity completed the acquisition of Sydney Gas Limited. This transaction moved the consolidated entity's ownership interest in the Camden Gas Project, Sydney Basin Exploration and Hunter Exploration projects from 50% to 100%.

The consolidated entity's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

|   | Consolidated |             | Parent Entity |             |
|---|--------------|-------------|---------------|-------------|
|   | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Current assets</b>                                 |              |             |               |             |
| Cash and cash equivalents                             | <b>21.7</b>  | 4.0         | <b>21.7</b>   | 3.1         |
| Trade and other receivables                           | <b>6.5</b>   | 33.4        | <b>6.5</b>    | 4.4         |
| Inventories   | <b>4.2</b>   | 2.2         | <b>4.2</b>    | 1.2         |
| Other assets  | <b>5.8</b>   | 1.8         | <b>5.8</b>    | 1.7         |
| Assets of disposal groups classified as held for sale | –            | 459.3       | –             | –           |
| <b>Total current assets</b>                           | <b>38.2</b>  | 500.7       | <b>38.2</b>   | 10.4        |
| <b>Non-current assets</b>                             |              |             |               |             |
| Trade and other receivables                           | –            | 0.3         | –             | –           |
| Exploration and evaluation assets                     | –            | 24.8        | –             | 10.6        |
| Oil and gas assets                                    | <b>203.9</b> | 150.7       | <b>203.9</b>  | 116.2       |
| Property, plant and equipment                         | –            | 33.9        | –             | –           |
| Other assets  | –            | 1.6         | –             | –           |
| <b>Total non-current assets</b>                       | <b>203.9</b> | 211.3       | <b>203.9</b>  | 126.8       |
| <b>Total assets</b>                                   | <b>242.1</b> | 712.0       | <b>242.1</b>  | 137.2       |

The consolidated entity's share of capital expenditure commitments and contingent liabilities of jointly controlled operations are disclosed in Notes 42 and 44 respectively.

**Note 49 – Deed of cross guarantee**

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned subsidiaries identified in Note 46 (other than AGL Sales Pty Limited, AGL Sales (Queensland Electricity) Pty Limited, AGL South Australia Pty Limited and Powerdirect Pty Ltd) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, the Parent Entity and each of the identified subsidiaries (Closed Group) entered into a Deed of Cross Guarantee on 27 June 2008. The effect of the Deed is that Parent Entity guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The subsidiaries have also given a similar guarantee in the event that the Parent Entity is wound up.

The following wholly-owned subsidiaries became a party to the Deed of Cross Guarantee on 24 June 2009:

AGL Gloucester LE Pty Ltd  
 AGL Gloucester MG Pty Ltd  
 AGL Pipelines Investments (QLD) Pty Limited  
 AGL Power Generation (Wind) Pty Limited

AGL (SG) Pty Limited  
 AGL (SG) (Camden) Operations Pty Limited  
 AGL (SG) (Hunter) Operations Pty Limited  
 AGL (SG) (Wyong) Operations Pty Limited  
 AGL (SG) Operations Pty Limited  
 Australia Plains Wind Farm Pty Ltd  
 Ben Lomond Wind Farm Pty Ltd  
 Box Hill Wind Farm Pty Limited  
 Brown Hill North Pty Limited  
 Coopers Gap Wind Farm Pty Ltd  
 Crows Nest Wind Farm Pty Ltd  
 Geogen Australia Pty Ltd  
 Geogen Pty Limited  
 Geogen Victoria Pty Ltd  
 Hallett 4 Pty Limited  
 Highfields Wind Farm Pty Limited  
 Oaklands Hill Wind Farm Pty Ltd  
 Worlds End Wind Farm Pty Ltd

The consolidated income statement and balance sheet of the entities that are members of the Closed Group are as follows:

|   | Closed Group   |             |
|---|----------------|-------------|
|   | 2009<br>\$m    | 2008<br>\$m |
| <b>Consolidated income statement</b>  |                |             |
| Profit before tax from continuing operations  | <b>910.3</b>   | 19.7        |
| Income tax (expense)/income   | <b>(293.1)</b> | 123.6       |
| Profit after tax from continuing operations   | <b>617.2</b>   | 143.3       |
| Profit/(loss) after tax from discontinued operations  | <b>877.9</b>   | (63.3)      |
| <b>Profit after tax</b>   | <b>1,495.1</b> | 80.0        |
| Retained earnings at beginning of financial year  | <b>469.8</b>   | 549.6       |
| Dividends paid or provided  | <b>(236.1)</b> | (225.6)     |
| Adjustment for entities added to the deed of cross guarantee  | <b>(2.0)</b>   | 83.4        |
| Actuarial loss on defined benefit plans, net of tax   | <b>(45.1)</b>  | (9.7)       |
| Share of actuarial loss on defined benefit plans attributable to associates and jointly controlled entities | <b>(19.5)</b>  | (10.4)      |
| Transfer from other reserves on disposal of associate   | –              | 2.5         |
| <b>Retained earnings at end of financial year</b>   | <b>1,662.2</b> | 469.8       |

|  | Closed Group   |                |
|--|----------------|----------------|
|  | 2009<br>\$m    | 2008<br>\$m    |
| <b>Consolidated balance sheet</b>                          |                |                |
| <b>Current assets</b>                                      |                |                |
| Cash and cash equivalents                                  | 623.1          | 63.8           |
| Trade and other receivables                                | 1,171.8        | 1,116.3        |
| Inventories  | 34.7           | 19.1           |
| Current tax assets   | –              | 47.9           |
| Other financial assets                                     | 282.0          | 981.9          |
| Other assets   | 26.3           | 19.2           |
| Non-current assets classified as held for sale             | –              | 71.2           |
| Assets of disposal groups classified as held for sale      | –              | 459.3          |
| <b>Total current assets</b>                                | <b>2,137.9</b> | <b>2,778.7</b> |
| <b>Non-current assets</b>                                  |                |                |
| Trade and other receivables                                | 0.7            | 0.8            |
| Investments accounted for using the equity method          | 182.6          | 585.0          |
| Exploration and evaluation assets                          | 569.9          | 25.9           |
| Oil and gas assets   | 295.2          | 150.7          |
| Property, plant and equipment                              | 1,409.2        | 1,257.6        |
| Intangible assets  | 2,323.9        | 2,317.5        |
| Other financial assets                                     | 1,870.8        | 1,942.0        |
| Other assets   | 4.8            | 13.4           |
| <b>Total non-current assets</b>                            | <b>6,657.1</b> | <b>6,292.9</b> |
| <b>Total assets</b>  | <b>8,795.0</b> | <b>9,071.6</b> |
| <b>Current liabilities</b>                                 |                |                |
| Trade and other payables                                   | 717.6          | 660.9          |
| Borrowings   | –              | –              |
| Provisions   | 29.3           | 24.1           |
| Current tax liabilities                                    | 229.9          | 23.4           |
| Other financial liabilities                                | 452.6          | 768.3          |
| Other liabilities  | 1.4            | 1.9            |
| Liabilities of disposal groups classified as held for sale | –              | 53.0           |
| <b>Total current liabilities</b>                           | <b>1,430.8</b> | <b>1,531.6</b> |
| <b>Non-current liabilities</b>                             |                |                |
| Borrowings   | 1,110.6        | 2,092.9        |
| Provisions   | 202.9          | 201.6          |
| Deferred tax liabilities                                   | 218.4          | 293.1          |
| Other financial liabilities                                | 55.7           | 12.8           |
| Other liabilities  | 63.8           | 14.5           |
| <b>Total non-current liabilities</b>                       | <b>1,651.4</b> | <b>2,614.9</b> |
| <b>Total liabilities</b>                                   | <b>3,082.2</b> | <b>4,146.5</b> |
| <b>Net assets</b>  | <b>5,712.8</b> | <b>4,925.1</b> |
| <b>Equity</b>  |                |                |
| Issued capital   | 4,030.3        | 3,971.6        |
| Reserves   | 20.3           | 483.7          |
| Retained earnings  | 1,662.2        | 469.8          |
| <b>Total equity</b>  | <b>5,712.8</b> | <b>4,925.1</b> |

**Note 50 – Key management personnel disclosures****Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity and the Parent Entity, directly or indirectly, including the Directors of the Parent Entity.

The following persons were key management personnel of the consolidated entity and the Parent Entity during the financial year. Unless otherwise indicated they were key management personnel for the entire period.

| Name              | Position   | Date of change in position |
|-------------------|--|----------------------------|
| <b>Directors</b>  |  |                            |
| Mark Johnson      | Chairman, Non-Executive Director                               |                            |
| Michael Fraser    | Managing Director and Chief Executive Officer                  |                            |
| Carolyn Hewson    | Non-Executive Director   | Retired 28 February 2009   |
| Les Hosking       | Non-Executive Director   | Appointed 1 November 2008  |
| Jeremy Maycock    | Non-Executive Director   |                            |
| Sandra McPhee     | Non-Executive Director   |                            |
| Max Ould          | Non-Executive Director   |                            |
| Bruce Phillips    | Non-Executive Director   |                            |
| Graham Reaney     | Non-Executive Director   |                            |
| John Stanhope     | Non-Executive Director   | Appointed 9 March 2009     |
| <b>Executives</b> |  |                            |
| Jeff Dimery       | Group General Manager Merchant Energy                          |                            |
| Ken Hodgson       | Group General Manager Retail Energy                            | Appointed 1 December 2008  |
| Phil James        | Group General Manager Retail Energy                            | Retired 30 September 2008  |
| Paul McWilliams   | Group Head of Corporate Support Services and Company Secretary |                            |
| Stephen Mikkelsen | Chief Financial Officer  |                            |
| Mike Moraza       | Group General Manager Upstream Gas                             |                            |

Total remuneration for key management personnel of the consolidated entity and the Parent Entity during the financial year is set out below:

|                                 | Consolidated      |            | Parent Entity     |            |
|---------------------------------|-------------------|------------|-------------------|------------|
|                                 | 2009<br>\$        | 2008<br>\$ | 2009<br>\$        | 2008<br>\$ |
| <b>Remuneration by category</b> |                   |            |                   |            |
| Short-term employee benefits    | <b>8,532,765</b>  | 8,001,213  | <b>8,532,765</b>  | 8,001,213  |
| Post-employment benefits        | <b>731,047</b>    | 722,803    | <b>731,047</b>    | 722,803    |
| Termination benefits            | <b>347,061</b>    | 6,168,840  | <b>347,061</b>    | 6,168,840  |
| Share-based payments            | <b>1,947,816</b>  | 2,424,857  | <b>1,947,816</b>  | 2,424,857  |
|                                 | <b>11,558,689</b> | 17,317,713 | <b>11,558,689</b> | 17,317,713 |

Further details are contained in the Remuneration Report, found in the Directors' Report.

### Share performance rights over equity instruments granted as remuneration

Details of movements during the financial year in the number of share performance rights (SPRs) over ordinary shares in the Parent Entity held directly, indirectly or beneficially, by each key management person, including their related parties, are set out below:

| 2009<br>Share performance rights | Balance<br>at 1 July<br>2008 | Granted<br>during the<br>year | Vested<br>during the<br>year | Lapsed/<br>forfeited<br>during the<br>year | Balance at<br>30 June<br>2009 | Vested and<br>exercisable<br>at 30 June<br>2009 | Vested<br>but not<br>exercisable<br>at 30 June<br>2009 |
|----------------------------------|------------------------------|-------------------------------|------------------------------|--|-------------------------------|---|--|
| <b>Directors</b>                 |                              |                               |                              |  |                               |   |  |
| Michael Fraser                   | 117,124                      | 107,639                       | (4,442)                      | (2,163)                                    | 218,158                       | –   | –  |
| <b>Executives</b>                |                              |                               |                              |  |                               |   |  |
| Jeff Dimery                      | 19,106                       | 18,056                        | (2,327)                      | (1,132)                                    | 33,703                        | –   | –  |
| Ken Hodgson                      | –                            | –                             | –                            | –  | –                             | –   | –  |
| Phil James                       | 10,725                       | –                             | (7,213)                      | (3,512)                                    | –                             | –   | –  |
| Paul McWilliams                  | 9,563                        | 3,132                         | (1,152)                      | (560)                                      | 10,983                        | –   | –  |
| Stephen Mikkelsen                | 35,932                       | 14,000                        | –                            | –  | 49,932                        | –   | –  |
| Mike Moraza                      | 8,153                        | 7,639                         | (962)                        | (468)                                      | 14,362                        | –   | –  |
|                                  | <b>200,603</b>               | <b>150,466</b>                | <b>(16,096)</b>              | <b>(7,835)</b>                             | <b>327,138</b>                | –   | –  |

Details of SPRs granted to key management personnel during the 2009 financial year are as follows:

| Date granted           | Number of SPRs | Performance period                   | Vesting date          | Fair value     |
|------------------------|----------------|--------------------------------------|-----------------------|----------------|
| <b>27 October 2008</b> | <b>150,466</b> | <b>1 October 2008–1 October 2011</b> | <b>1 October 2011</b> | <b>\$10.30</b> |

No SPRs have been granted since the end of the financial year. The SPRs have been provided at no cost to the recipients.

For further details, including the key terms and conditions, grant and vesting dates for SPRs granted to key management personnel, refer Note 52.

| 2008<br>Share performance rights | Balance<br>at 1 July<br>2007 | Granted<br>during the<br>year | Vested<br>during the<br>year | Lapsed/<br>forfeited<br>during the<br>year | Balance at<br>30 June<br>2008 | Vested and<br>exercisable<br>at 30 June<br>2008 | Vested<br>but not<br>exercisable<br>at 30 June<br>2008 |
|----------------------------------|------------------------------|-------------------------------|------------------------------|--|-------------------------------|---|--|
| <b>Directors</b>                 |                              |                               |                              |  |                               |   |  |
| Paul Anthony                     | 187,801                      | –                             | (46,950)                     | (140,851)                                  | –                             | –   | –  |
| Michael Fraser (b)               | 13,209                       | 103,915                       | –                            | –  | 117,124                       | –   | –  |
| <b>Executives</b>                |                              |                               |                              |  |                               |   |  |
| Jeff Dimery (a)                  | 6,918                        | 12,188                        | –                            | –  | 19,106                        | –   | –  |
| Phil James                       | 10,725                       | –                             | –                            | –  | 10,725                        | –   | –  |
| Paul McWilliams (a)              | 3,423                        | 6,140                         | –                            | –  | 9,563                         | –   | –  |
| Stephen Mikkelsen (a)            | 16,285                       | 19,647                        | –                            | –  | 35,932                        | –   | –  |
| Mike Moraza (a)                  | 2,859                        | 5,294                         | –                            | –  | 8,153                         | –   | –  |
|                                  | <b>241,220</b>               | <b>147,184</b>                | <b>(46,950)</b>              | <b>(140,851)</b>                           | <b>200,603</b>                | –   | –  |

Details of SPRs granted to key management personnel during the 2008 financial year are as follows:

| Date granted         | Number of SPRs | Performance period           | Vesting date     | Fair value |
|----------------------|----------------|------------------------------|------------------|------------|
| 11 January 2008 (a)  | 43,269         | 26 October 2007–30 June 2010 | 1 September 2010 | \$9.16     |
| 25 February 2008 (b) | 103,915        | 26 October 2007–30 June 2010 | 1 September 2010 | \$7.66     |

**Note 50 – Key management personnel disclosures (continued)****Shareholdings of key management personnel**

Details of movements during the financial year in the number of ordinary shares in the Parent Entity held directly, indirectly or beneficially, by each key management person, including their related parties, are set out below:

| 2009<br>Ordinary shares | Balance at<br>1 July<br>2008 | AGL Share<br>Purchase<br>Plan (a) | Dividend<br>Reinvestment<br>Plan (b) | Received on<br>vesting of<br>SPRs | Net change<br>other | Balance at<br>30 June<br>2009 | Balance<br>held<br>nominally |
|-------------------------|------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|-------------------------------|------------------------------|
| <b>Directors</b>        |                              |                                   |                                      |                                   |                     |                               |                              |
| Mark Johnson            | 239,446                      | 19,978                            | 9,419                                | –                                 | –                   | 268,843                       | –                            |
| Michael Fraser (c)      | 264,868                      | 65,845                            | –                                    | 4,442                             | –                   | 335,155                       | –                            |
| Carolyn Hewson (d)      | 52,899                       | –                                 | –                                    | –                                 | –                   | –                             | –                            |
| Les Hosking             | –                            | –                                 | –                                    | –                                 | 2,000               | 2,000                         | –                            |
| Jeremy Maycock          | 34,466                       | 9,669                             | 1,485                                | –                                 | –                   | 45,620                        | –                            |
| Sandra McPhee           | 3,200                        | –                                 | –                                    | –                                 | 7,000               | 10,200                        | –                            |
| Max Ould                | 22,115                       | 4,040                             | 722                                  | –                                 | –                   | 26,877                        | –                            |
| Bruce Phillips          | 29,000                       | –                                 | –                                    | –                                 | –                   | 29,000                        | –                            |
| Graham Reaney           | 97,211                       | 4,100                             | –                                    | –                                 | –                   | 101,311                       | –                            |
| John Stanhope           | –                            | –                                 | –                                    | –                                 | –                   | –                             | –                            |
| <b>Executives</b>       |                              |                                   |                                      |                                   |                     |                               |                              |
| Jeff Dimery             | 45,649                       | 4,902                             | 188                                  | 2,327                             | (12,200)            | 40,866                        | –                            |
| Ken Hodgson             | –                            | –                                 | –                                    | –                                 | –                   | –                             | –                            |
| Phil James (e)          | –                            | –                                 | –                                    | 7,213                             | –                   | –                             | –                            |
| Paul McWilliams         | –                            | 888                               | –                                    | 1,152                             | –                   | 2,040                         | –                            |
| Stephen Mikkelsen       | –                            | 1,955                             | –                                    | –                                 | –                   | 1,955                         | –                            |
| Mike Moraza             | 7,972                        | 3,410                             | –                                    | 962                               | –                   | 12,344                        | –                            |

(a) Shares acquired under the AGL Share Purchase Plan in lieu of remuneration Non-Executive Directors and executives would have received. Beneficial interest held subject to the conditions of the Plan.

(b) Shares issued as a result of participation in the AGL Dividend Reinvestment Plan.

(c) Under Mr Fraser's prior Service Agreement, he was entitled to certain retention payments. In lieu of these prior retention arrangements, Mr Fraser either has been, or will be, allocated shares in three tranches. During the 2009 financial year, the second tranche of 27,623 shares with a face value of \$400,000 was acquired under the AGL Share Purchase Plan.

Mr Fraser earned a short-term incentive for the 2008 financial year which was payable in September 2008. One half of the short-term incentive was paid in cash and the balance of \$525,000 was deferred for 12 months by providing an allocation of 38,222 shares under the AGL Share Purchase Plan at that date.

(d) Ms Hewson retired as a Director on 28 February 2009 and the number of shares represent those held at the date of leaving office.

(e) Mr James retired from the position of Group General Manager Retail Energy on 30 September 2008 and the number of shares represent those held at the date of cessation of employment.

| 2008<br>Ordinary shares | Balance at<br>1 July<br>2007 | AGL Share<br>Purchase<br>Plan (a) | Dividend<br>Reinvestment<br>Plan (b) | Received on<br>vesting of<br>SPRs | Net change<br>other | Balance at<br>30 June<br>2008 | Balance<br>held<br>nominally |
|-------------------------|------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------|-------------------------------|------------------------------|
| <b>Directors</b>        |                              |                                   |                                      |                                   |                     |                               |                              |
| Mark Johnson            | 210,068                      | 20,754                            | 8,624                                | –                                 | –                   | 239,446                       | –                            |
| Paul Anthony (c)        | 309,230                      | –                                 | –                                    | 46,950                            | –                   | –                             | –                            |
| Michael Fraser (d)      | 190,128                      | 74,740                            | –                                    | –                                 | –                   | 264,868                       | –                            |
| Charles Allen AO (e)    | 82,881                       | –                                 | –                                    | –                                 | –                   | –                             | –                            |
| Carolyn Hewson          | 52,899                       | –                                 | –                                    | –                                 | –                   | 52,899                        | –                            |
| Jeremy Maycock          | 16,381                       | 7,866                             | 692                                  | –                                 | 9,527               | 34,466                        | –                            |
| Sandra McPhee           | 3,200                        | –                                 | –                                    | –                                 | –                   | 3,200                         | –                            |
| Max Ould                | 14,944                       | 3,612                             | 559                                  | –                                 | 3,000               | 22,115                        | –                            |
| Bruce Phillips          | –                            | –                                 | –                                    | –                                 | 29,000              | 29,000                        | –                            |
| Graham Reaney           | 92,906                       | 4,305                             | –                                    | –                                 | –                   | 97,211                        | –                            |
| <b>Executives</b>       |                              |                                   |                                      |                                   |                     |                               |                              |
| Greg Conway (f)(g)      | –                            | 15,644                            | –                                    | –                                 | –                   | –                             | –                            |
| Jeff Dimery             | 43,108                       | 426                               | 115                                  | –                                 | 2,000               | 45,649                        | –                            |
| Phil James              | 138,211                      | –                                 | –                                    | –                                 | (138,211)           | –                             | –                            |
| Paul McWilliams         | 7,196                        | –                                 | –                                    | –                                 | (7,196)             | –                             | –                            |
| Stephen Mikkelsen       | –                            | –                                 | –                                    | –                                 | –                   | –                             | –                            |
| Mike Moraza             | 14,972                       | –                                 | –                                    | –                                 | (7,000)             | 7,972                         | –                            |

- (a) Shares acquired under the AGL Share Purchase Plan in lieu of remuneration Non-Executive Directors and executives would have received. Beneficial interest held subject to the conditions of the Plan.
- (b) Shares issued as a result of participation in the AGL Dividend Reinvestment Plan.
- (c) Mr Anthony resigned from the position of Managing Director and Chief Executive Officer on 21 October 2007 and the number of shares represent those held at the date of cessation of employment.
- (d) Under Mr Fraser's prior Service Agreement, he was entitled to certain retention payments. In lieu of these prior retention arrangements, Mr Fraser either has been, or will be, allocated shares in three tranches. Upon appointment as Managing Director and Chief Executive Officer, the first tranche of 74,740 shares with a face value of \$1,023,639 was acquired under the AGL Share Purchase Plan.
- (e) Mr Allen retired as a Director on 28 February 2008 and the number of shares represent those held at the date of leaving office.
- (f) Mr Conway received a sign-on allocation of 15,644 shares under the AGL Share Purchase Plan.
- (g) Mr Conway resigned from the position of Group General Manager Retail Energy on 7 December 2007 and the number of shares represent those held at the date of cessation of employment.

#### Loans to key management personnel

There are no loans between key management personnel and the Parent Entity or with any of its subsidiaries.

#### Other transactions with key management personnel and their personally related entities

There are no other transactions between key management personnel and the Parent Entity or with any of its subsidiaries other than the provision of gas and electricity.

#### Note 51 – Defined benefit superannuation plans

The consolidated entity and the Parent Entity operate three superannuation plans that provide defined benefit amounts to employees or their dependants upon retirement, resignation or death. The plans provide, in the majority of cases, benefits in the form of a lump sum based on the employee's years of service and final average salary. Contributions to the plans are predominantly based on a percentage of employees' salaries and wages. These defined benefit plans are all closed to new members. All new members receive accumulation benefits only.

The three plans are the SuperSolution Master Trust – AGL Division (SSMT), Equisuper Fund (EF) and Electricity Industry Superannuation Scheme (EISS).

On 2 July 2007, the consolidated entity acquired AGL Torrens Island Pty Limited. Certain employees in this entity are members of a separate defined benefit section of the Electricity Industry Superannuation Scheme.

The Parent Entity, as the sponsoring employer for the consolidated entity, recognises the defined benefit obligations and expenses for all the plans, with the exception of the section within the EISS relating to AGL Torrens Island Pty Limited. The consolidated entity also contributes to defined contribution superannuation plans for employees, which are also provided by these plans. Contributions made to these defined contribution plans are expensed as incurred.

**Note 51 – Defined benefit superannuation plans**

|  | Consolidated  |             | Parent Entity |             |
|--|---------------|-------------|---------------|-------------|
|  | 2009<br>\$m   | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Amounts recognised in the statement of recognised income and expense</b>                              |               |             |               |             |
| Actuarial loss incurred during the year and recognised in the statement of recognised income and expense |               |             |               |             |
| Actuarial loss   | <b>(64.5)</b> | (13.9)      | <b>(23.8)</b> | (9.8)       |
| Tax effect   | <b>19.4</b>   | 4.2         | <b>7.1</b>    | 2.9         |
| Actuarial loss, net of tax   | <b>(45.1)</b> | (9.7)       | <b>(16.7)</b> | (6.9)       |
| Cumulative actuarial loss recognised in the statement of recognised income and expense                   |               |             |               |             |
|  | <b>(47.9)</b> | (2.8)       | <b>(16.7)</b> | –           |
| <b>Amounts recognised in the income statement</b>  |               |             |               |             |
| Current service cost   | <b>3.7</b>    | 4.9         | <b>1.5</b>    | 2.7         |
| Interest cost  | <b>9.0</b>    | 8.3         | <b>3.3</b>    | 3.3         |
| Expected return on plan assets   | <b>(10.5)</b> | (11.0)      | <b>(4.6)</b>  | (5.3)       |
| Expense recognised in the income statement as part of employee benefits expense (Note 8)                 |               |             |               |             |
|  | <b>2.2</b>    | 2.2         | <b>0.2</b>    | 0.7         |
| Actual return on plan assets   | <b>(22.3)</b> | (4.1)       | <b>(8.0)</b>  | (4.5)       |
| <b>Movements in the present value of the defined benefit obligations</b>                                 |               |             |               |             |
| Opening defined benefit obligations  | <b>154.7</b>  | 62.9        | <b>55.1</b>   | 62.9        |
| Liabilities assumed in a business combination  | –             | 95.8        | –             | –           |
| Current service cost   | <b>3.7</b>    | 4.9         | <b>1.5</b>    | 2.7         |
| Interest cost  | <b>9.0</b>    | 8.3         | <b>3.3</b>    | 3.3         |
| Contributions by plan participants   | <b>3.2</b>    | 4.0         | <b>1.1</b>    | 1.6         |
| Actuarial loss/(gain)  | <b>31.7</b>   | (1.2)       | <b>11.3</b>   | –           |
| Benefits paid  | <b>(12.2)</b> | (15.2)      | <b>(7.4)</b>  | (11.7)      |
| Taxes and premiums paid  | <b>(1.7)</b>  | (1.4)       | <b>(0.2)</b>  | –           |
| Net transfers in   | <b>0.4</b>    | 0.4         | <b>0.4</b>    | 0.1         |
| Settlements  | –             | (3.8)       | –             | (3.8)       |
| Closing defined benefit obligations  | <b>188.8</b>  | 154.7       | <b>65.1</b>   | 55.1        |
| <b>Movements in the fair value of plan assets</b>  |               |             |               |             |
| Opening fair value of plan assets  | <b>158.5</b>  | 83.0        | <b>65.8</b>   | 83.0        |
| Assets acquired in a business combination  | –             | 87.9        | –             | –           |
| Expected return on plan assets   | <b>10.5</b>   | 11.0        | <b>4.6</b>    | 5.3         |
| Actuarial loss   | <b>(32.8)</b> | (15.1)      | <b>(12.5)</b> | (9.8)       |
| Employer contributions   | <b>9.6</b>    | 7.7         | <b>2.1</b>    | 1.1         |
| Contributions by plan participants   | <b>3.2</b>    | 4.0         | <b>1.1</b>    | 1.6         |
| Benefits paid  | <b>(12.2)</b> | (15.2)      | <b>(7.4)</b>  | (11.7)      |
| Taxes and premiums paid  | <b>(1.7)</b>  | (1.4)       | <b>(0.2)</b>  | –           |
| Net transfers in   | <b>0.4</b>    | 0.4         | <b>0.4</b>    | 0.1         |
| Settlements  | –             | (3.8)       | –             | (3.8)       |
| Closing fair value of plan assets  | <b>135.5</b>  | 158.5       | <b>53.9</b>   | 65.8        |

|   | Consolidated   |             | Parent Entity |             |
|---|----------------|-------------|---------------|-------------|
|   | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Assets and liabilities recognised in the Balance Sheet</b> |                |             |               |             |
| Fair value of plan assets                                     | <b>135.5</b>   | 158.5       | <b>53.9</b>   | 65.8        |
| Present value of the defined benefit obligations              | <b>(188.8)</b> | (154.7)     | <b>(65.1)</b> | (55.1)      |
| Net (liability)/asset at end of year                          | <b>(53.3)</b>  | 3.8         | <b>(11.2)</b> | 10.7        |
| Defined benefit superannuation plan asset (Note 26)           | –              | 10.7        | –             | 10.7        |
| Defined benefit superannuation plan liability (Note 37)       | <b>(53.3)</b>  | (6.9)       | <b>(11.2)</b> | –           |
| Net (liability)/asset at end of year                          | <b>(53.3)</b>  | 3.8         | <b>(11.2)</b> | 10.7        |
| Net asset at beginning of year                                | <b>3.8</b>     | 20.1        | <b>10.7</b>   | 20.1        |
| Net liabilities assumed in a business combination             | –              | (7.9)       | –             | –           |
| Expense recognised in the income statement                    | <b>(2.2)</b>   | (2.2)       | <b>(0.2)</b>  | (0.7)       |
| Amount recognised in retained earnings                        | <b>(64.5)</b>  | (13.9)      | <b>(23.8)</b> | (9.8)       |
| Employer contributions  | <b>9.6</b>     | 7.7         | <b>2.1</b>    | 1.1         |
| Net (liability)/asset at end of year                          | <b>(53.3)</b>  | 3.8         | <b>(11.2)</b> | 10.7        |
| <b>Historical information</b>                                 |                |             |               |             |
| Present value of the defined benefit obligations              | <b>(188.8)</b> | (154.7)     | <b>(65.1)</b> | (55.1)      |
| Fair value of plan assets                                     | <b>135.5</b>   | 158.5       | <b>53.9</b>   | 65.8        |
| (Deficit)/surplus in plan                                     | <b>(53.3)</b>  | 3.8         | <b>(11.2)</b> | 10.7        |
| Experience adjustments on plan assets                         | <b>(32.8)</b>  | (15.2)      | <b>(12.6)</b> | (9.9)       |
| Experience adjustments on plan liabilities                    | <b>(7.0)</b>   | (4.2)       | <b>(5.3)</b>  | (3.3)       |

The consolidated entity expects to contribute \$12.4 million (2008: \$7.3 million) to the defined benefit plans during the next financial year.

The fair value of plan assets does not include any amounts relating to any property occupied by, or other assets used by, the consolidated entity. Less than 0.5% of the fair value of the plan assets in the SuperSolution Master Trust – AGL Division comprises ordinary shares in the Parent Entity.

The expected return on plan assets is determined by weighting the expected long-term return for each asset class by the target

allocation of assets to each class and allowing for correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. An allowance for administration expenses has been deducted from the expected return.

#### Categories of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the reporting date are as follows:

|                           | SSMT        |           | EF          |           | EISS        |           |
|---------------------------|-------------|-----------|-------------|-----------|-------------|-----------|
|                           | 2009<br>%   | 2008<br>% | 2009<br>%   | 2008<br>% | 2009<br>%   | 2008<br>% |
| Australian equities       | <b>31.4</b> | 31.0      | <b>36.0</b> | 35.0      | <b>29.0</b> | 29.0      |
| International equities    | <b>28.6</b> | 29.0      | <b>25.0</b> | 22.0      | <b>21.0</b> | 19.0      |
| Fixed interest securities | <b>28.3</b> | 27.0      | <b>12.0</b> | 13.0      | <b>19.0</b> | 14.0      |
| Property                  | <b>6.7</b>  | 6.0       | <b>11.0</b> | 14.0      | <b>16.0</b> | 16.0      |
| Cash                      | <b>4.0</b>  | 4.0       | <b>6.0</b>  | 8.0       | <b>6.0</b>  | 5.0       |
| Other                     | <b>1.0</b>  | 3.0       | <b>10.0</b> | 8.0       | <b>9.0</b>  | 17.0      |

#### Principal actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

|   |            |     |            |     |            |     |
|---|------------|-----|------------|-----|------------|-----|
| Discount rate (after tax) active members        | <b>5.1</b> | 5.9 | <b>5.2</b> | 5.9 | <b>5.1</b> | 5.9 |
| Discount rate (after tax) pensioners            | –          | –   | –          | –   | <b>5.5</b> | 6.4 |
| Expected return on plan assets – active members | <b>5.7</b> | 7.5 | <b>7.0</b> | 7.0 | <b>6.6</b> | 6.4 |
| Expected return on plan assets – pensioners     | –          | –   | –          | –   | <b>8.0</b> | 6.9 |
| Expected salary increase rate                   | <b>4.0</b> | 4.0 | <b>4.0</b> | 4.0 | <b>4.0</b> | 4.0 |
| Expected pension increase rate                  | –          | –   | –          | –   | <b>3.0</b> | 3.0 |

#### Defined contribution superannuation plans

The consolidated entity makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the financial year ended 30 June 2009 was \$10.9 million (2008: \$8.4 million).

**Note 52 – Share-based payment plans**

The Parent Entity has the following share-based payment plans:

- AGL Share Reward Plan;
- AGL Share Purchase Plan; and
- AGL Long-Term Incentive Plan.

**AGL Share Reward Plan**

The AGL Energy Limited Board of Directors approved the AGL Share Reward Plan on 5 October 2006. Under the Plan, eligible employees may be invited on an annual basis to acquire up to \$1,000 worth of fully-paid ordinary shares in the Parent Entity for no consideration. The Board determines whether to make an offer of shares based on the consolidated entity's performance measured against the performance target set by the Board each financial year.

Eligible employees include full-time or permanent part-time employees who have completed 12 months continuous service (or such lesser period as the Board determines) and who have attained the age of 18 years. Casual employees and employees who are resident overseas can only participate at the Board's discretion. Employees participating in the AGL Long-Term Incentive Plan and the Directors of the Parent Entity are not eligible to participate.

The trustee of the Plan applies amounts contributed by entities in the consolidated entity in purchasing shares on behalf of participating employees in the ordinary course of trading on the ASX; or subscribing for shares on behalf of the participating employees. All shares acquired by the trustee are acquired at the market value of the shares.

Market value means in relation to a subscription for shares, the weighted average of the prices at which the Parent Entity's ordinary shares are traded on the ASX during the five business days up to and including the day on which the subscription occurs. Market value in relation to a purchase of shares means the price at which the shares are actually acquired in the ordinary course of trading on the ASX.

Plan shares may not be disposed before the earlier of three years after the date of acquisition or the date on which the participating employee ceases to be employed by the consolidated entity. During this period, the trustee is entitled to retain custody of share certificates or holding statements in respect of the Plan shares and to implement procedures to prevent any dealing with those shares.

Plan shares rank pari passu in all respects with all other shares and carry the same rights and entitlements, including dividend and voting rights, as those conferred by other shares.

Details of share movements in the AGL Share Reward Plan are set out below:

| Grant date        | Balance at beginning of the year | Granted during the year | Fair value per share | Distributed during the year | Balance at end of the year |
|-------------------|----------------------------------|-------------------------|----------------------|-----------------------------|----------------------------|
|                   | Number                           | Number                  | \$                   | Number                      | Number                     |
| <b>2009</b>       |                                  |                         |                      |                             |                            |
| 20 September 2007 | <b>64,638</b>                    | –                       | –                    | <b>(7,119)</b>              | <b>57,519</b>              |
| 22 September 2008 | –                                | <b>83,020</b>           | <b>14.13</b>         | <b>(6,160)</b>              | <b>76,860</b>              |
|                   | <b>64,638</b>                    | <b>83,020</b>           |                      | <b>(13,279)</b>             | <b>134,379</b>             |
| <b>2008</b>       |                                  |                         |                      |                             |                            |
| 20 September 2007 | –                                | 72,576                  | 15.87                | (7,938)                     | 64,638                     |

During the year, there were 1,186 eligible employees (2008: 1,152) who were each granted 70 ordinary shares (2008: 63) in the Parent Entity. All shares granted were purchased on-market and the fair value per share is market value (as defined above).

The total expense recognised in the income statement as part of employee benefits expense during the year in relation to the AGL Share Reward Plan was:

|                           | Consolidated |             | Parent Entity |             |
|---------------------------|--------------|-------------|---------------|-------------|
|                           | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| Employee benefits expense | <b>1.2</b>   | 1.2         | <b>1.2</b>    | 1.2         |

### AGL Share Purchase Plan

The AGL Energy Limited Board of Directors approved the AGL Share Purchase Plan on 5 October 2006. Under the Plan, the Board may in its discretion, from time to time invite any eligible employees to acquire fully-paid ordinary shares in the Parent Entity with funds provided in lieu of remuneration they would have received. Directors of the Parent Entity may also participate in the Plan. Eligible employees include full-time or permanent part-time employees of entities in the consolidated entity who have attained the age of 18 years. Employees who are resident overseas can only participate at the Board's discretion.

The trustee of the Plan applies amounts contributed by entities in the consolidated entity in lieu of remuneration entitlements which eligible employees or Directors would otherwise have received in purchasing shares on behalf of participating employees or Directors in the ordinary course of trading on the ASX; or subscribing for shares on behalf of the participating employees or Directors. All shares acquired by the trustee will be acquired at the market value of the shares.

Market value means in relation to a subscription for shares, the weighted average of the prices at which the Parent Entity's ordinary shares are traded on the ASX during the five business days up to and including the day on which the subscription occurs. Market value in relation to a purchase of shares means the price at which the shares are actually acquired in the ordinary course of trading on the ASX.

Plan shares may not be disposed before the earlier of 10 years after the date of acquisition, the date on which the participating employee ceases to be employed by the consolidated entity, and the Board or the trustee determines that the shares should be freed from this restriction following the written request of the participating employee. During this period, the trustee is entitled to retain custody of share certificates or holding statements in respect of the Plan shares and to implement procedures to prevent any dealing with those shares.

Plan shares rank *pari passu* in all respects with all other shares and carry the same rights and entitlements, including dividend and voting rights, as those conferred by other shares.

Details of share movements in the AGL Share Purchase Plan are set out below:

| Grant date  | Balance at beginning of the year | Purchased during the year | Fair value per share | Distributed during the year | Balance at end of the year |
|---|----------------------------------|---------------------------|----------------------|-----------------------------|----------------------------|
|   | Number                           | Number                    | \$                   | Number                      | Number                     |
| <b>2009</b>                                       |                                  |                           |                      |                             |                            |
| Non-Executive Directors                           | <b>44,888</b>                    | <b>37,787</b>             | <b>14.63</b>         | –                           | <b>82,675</b>              |
| Managing Director and Chief Executive Officer (a) | <b>74,740</b>                    | <b>27,623</b>             | <b>14.48</b>         | –                           | <b>102,363</b>             |
| Managing Director and Chief Executive Officer (b) | –                                | <b>38,222</b>             | <b>13.74</b>         | –                           | <b>38,222</b>              |
| Employees   | <b>18,162</b>                    | <b>38,243</b>             | <b>14.46</b>         | <b>(4,013)</b>              | <b>52,392</b>              |
|   | <b>137,790</b>                   | <b>141,875</b>            |                      | <b>(4,013)</b>              | <b>275,652</b>             |
| <b>2008</b>                                       |                                  |                           |                      |                             |                            |
| Non-Executive Directors                           | 8,351                            | 36,537                    | 13.12                | –                           | 44,888                     |
| Managing Director and Chief Executive Officer (a) | –                                | 74,740                    | 13.19                | –                           | 74,740                     |
| Employees   | –                                | 35,589                    | 13.44                | (17,427)                    | 18,162                     |
|   | 8,351                            | 146,866                   |                      | (17,427)                    | 137,790                    |

(a) Under Mr Fraser's prior Service Agreement, he was entitled to certain retention payments. In lieu of these retention arrangements, Mr Fraser either has been, or will be, allocated shares in three tranches. Upon appointment as Managing Director and Chief Executive Officer, the first tranche of 74,740 shares with a face value of \$1,023,639 was acquired under the AGL Share Purchase Plan. During the 2009 financial year, the second tranche of 27,623 shares with a face value of \$400,000 was acquired under the AGL Share Purchase Plan.

(b) Mr Fraser earned a short-term incentive for the 2008 financial year which was payable in September 2008. One half of the short-term incentive was paid in cash and the balance of \$525,000 was deferred for 12 months, by providing an allocation of 38,222 shares under the AGL Share Purchase Plan at that date.

At the reporting date, there were four Non-Executive Directors (2008: 4) and 79 employees including the Managing Director (2008: 49) participating in the Plan. All shares were purchased on-market and the fair value per share is market value (as defined above).

No expense is recognised in the income statement in relation to shares purchased under the Plan as they are acquired out of salary sacrificed remuneration.

**Note 52 – Share-based payment plans (continued)****AGL Long-Term Incentive Plan**

The AGL Energy Limited Board of Directors approved the AGL Long-Term Incentive Plan (LTIP) on 5 October 2006. The LTIP is designed to align the interests of AGL executives and the strategic goals of AGL with those of AGL Shareholders. The LTIP forms an integral component of AGL's remuneration strategy.

Under the LTIP, executives are granted Share Performance Rights (SPRs) that vest to the executive, providing (and to the extent that) performance conditions applicable to the SPRs are met. A SPR is an entitlement to one fully-paid ordinary share in the Parent Entity. SPRs do not carry dividend or voting rights. However, SPRs will participate in bonus issues, rights issues and reconstructions and reorganisations of the capital of the Parent Entity in the same manner as ordinary shares. On vesting, SPRs are exercised and converted to fully-paid ordinary shares in the Parent Entity.

**Executives**

Grants of SPRs to eligible executives are made on an annual basis or such other times as the Board in its discretion may determine. Eligible executives are employees of any entity in the consolidated entity who are determined by the Board in its discretion to be eligible to participate in the LTIP.

The Board has an absolute discretion to determine the number of SPRs issued to a plan participant, and the performance conditions which must be satisfied before SPRs can vest and the period over which SPRs vest.

During the financial year, 146,774 SPRs were granted to eligible executives. The number of SPRs granted was determined by taking the participant's Total Fixed Remuneration (TFR) as at

1 September 2008 multiplied by their pre-agreed percentage LTI component, then divided by \$14.40 (being the volume weighted average price (VWAP) at which the Parent Entity's shares traded on the ASX during the 30 calendar days following the release of AGL's 2008 annual results).

SPRs are subject to a performance condition based on Total Shareholder Return (TSR is share price growth plus the value of dividends and distributions on the relevant shares) with the level of vesting being dependent upon AGL's TSR performance measured against a comparable group of ASX listed companies. The comparator group is determined by the Board at the time of each grant of SPRs.

For all SPRs that have been granted, the Board has determined that the performance condition will be based on the TSR of the Parent Entity's ordinary shares measured against the comparator group of the ASX100. TSR performance is assessed by an independent third party provider to ensure accuracy and independence of calculation.

For the SPRs granted on 27 October 2008, the performance condition will be tested initially on 1 October 2011 and the number of SPRs that vest at that time will be determined in accordance with the table referred to below. To the extent that full vesting does not occur at this point, the performance condition will be retested on 1 October 2012.

Unless the Board in its absolute discretion otherwise determines, all SPRs will vest at the end of a four-year vesting period following their grant, subject to the satisfaction of the performance conditions applicable to those SPRs. Any SPRs which do not vest because the performance criteria are not met, immediately lapse.

The following table sets out the vesting schedule for SPRs granted during the financial year:

| AGL's TSR ranking relative to ASX100         | Percentage of SPRs that vest                                     |
|--|--|
| TSR below 40th percentile                    | 0%   |
| TSR between 40th and 50th percentile         | Progressive vesting on a straight-line basis from 40% to 50%     |
| TSR between 51st and 84th percentile         | Progressive vesting on a straight-line basis from >50% and <100% |
| TSR equal to or greater than 85th percentile | 100%   |

The following table sets out the vesting schedule for SPRs granted during previous financial years:

| AGL's TSR ranking relative to ASX100         | Percentage of SPRs that vest                                     |
|--|--|
| TSR below 50th percentile                    | 0%   |
| TSR equal to 50th percentile                 | 50%  |
| TSR between 51st and 74th percentile         | Progressive vesting on a straight-line basis from >50% and <100% |
| TSR equal to or greater than 75th percentile | 100%   |

The following table sets out details of SPRs that have been granted to executives and remain outstanding under the LTIP at the reporting date:

| SPRs grant      | Number of SPRs | Performance period            | Vesting date     | Fair value |
|-----------------|----------------|-------------------------------|------------------|------------|
| 8 November 2006 | 16,285         | 8 November 2006–30 June 2009  | 1 September 2009 | \$6.60     |
| 1 April 2007    | 25,029         | 26 October 2006–30 June 2009  | 1 September 2009 | \$6.71     |
| 11 January 2008 | 115,923        | 26 October 2007–30 June 2010  | 1 September 2010 | \$9.16     |
| 27 October 2008 | 146,774        | 1 October 2008–1 October 2011 | 1 October 2011   | \$10.30    |

The Board is continuing to review the terms on which future grants of SPRs will be made under the LTIP. The performance conditions applicable to future SPRs granted under the LTIP will be determined by the Board at the time of each grant. The Board has the discretion to vary the terms of the vesting period applying to SPRs.

If, before the expiry of the vesting period applicable to a grant of SPRs, a plan participant ceases employment as a result of death, total and permanent disablement, redundancy, retirement or such other circumstances, the Board, in its discretion, may determine that the SPRs held by that participant will vest, subject to the satisfaction of performance conditions applicable to those SPRs, measured as at a date determined by the Board.

All SPRs will vest in the event that a change in control of the Parent Entity occurs, subject to the performance conditions applicable to those SPRs being satisfied at that time unless the Board, in its absolute discretion, determines that it is appropriate to waive the satisfaction of the performance conditions.

The Parent Entity may issue shares or purchase shares in the ordinary course of trading on the ASX to satisfy SPRs which have vested.

The Board may in its discretion include in the terms and conditions attached to an offer of SPRs, a right of a plan participant to elect to be bound by restrictions in relation to shares acquired on vesting of SPRs. If a plan participant has made an election, the shares allocated on vesting of SPRs will be subject to a restriction on dealing up to a maximum of 10 years after the date the SPRs are granted.

Details of movements in SPRs in the AGL Long-Term Incentive Plan for executives are set out below:

| SPRs grant               | Balance at beginning of the year | Granted during the year | Vested during the year | Lapsed/forfeited during the year | Balance at end of the year | Vested but not exercisable at end of the year |
|--------------------------|----------------------------------|-------------------------|------------------------|----------------------------------|----------------------------|---|
| <b>2009</b>              |                                  |                         |                        |                                  |                            |   |
| 8 November 2006          | 16,285                           | –                       | –                      | –                                | 16,285                     | –   |
| 1 April 2007 – tranche 1 | 32,073                           | –                       | (21,585)               | (10,488)                         | –                          | –   |
| 1 April 2007 – tranche 2 | 32,054                           | –                       | (4,726)                | (2,299)                          | 25,029                     | –   |
| 11 January 2008          | 139,266                          | –                       | (22,084)               | (1,259)                          | 115,923                    | –   |
| 27 October 2008          | –                                | 146,774                 | –                      | –                                | 146,774                    | –   |
|                          | <b>219,678</b>                   | <b>146,774</b>          | <b>(48,395)</b>        | <b>(14,046)</b>                  | <b>304,011</b>             | –   |
| <b>2008</b>              |                                  |                         |                        |                                  |                            |   |
| 8 November 2006          | 16,285                           | –                       | –                      | –                                | 16,285                     | –   |
| 1 April 2007 – tranche 1 | 40,281                           | –                       | –                      | (8,208)                          | 32,073                     | –   |
| 1 April 2007 – tranche 2 | 40,255                           | –                       | –                      | (8,201)                          | 32,054                     | –   |
| 11 January 2008          | –                                | 139,266                 | –                      | –                                | 139,266                    | –   |
|                          | 96,821                           | 139,266                 | –                      | (16,409)                         | 219,678                    | –   |

The fair value of services received in return for SPRs granted are measured by reference to the fair value of SPRs granted. The estimate of the fair value of services received is measured based on the Monte Carlo simulation method. The contractual life of the SPRs is used as an input into this model. Expectations of early vesting are incorporated into the Monte Carlo simulation method. Expected volatility is based on the historical share price volatility over the past two years.

| SPRs grant  | 2009<br>27 Oct 08 | 2008<br>11 Jan 08 |
|---|-------------------|-------------------|
| Fair value at grant date                            | \$10.30           | \$9.16            |
| Share price at grant date                           | \$13.40           | \$13.05           |
| Expected volatility                                 | 24.0%             | 21.0%             |
| SPR life  | 3 years           | 2.6 years         |
| Expected dividend yield                             | 3.5%              | 3.5%              |
| Risk free interest rate (based on government bonds) | 4.3%              | 6.6%              |

The total expense recognised in the income statement as part of employee benefits expense during the year in relation SPRs granted to executives in the AGL Long-Term Incentive Plan was:

|                           | Consolidated |             | Parent Entity |             |
|---------------------------|--------------|-------------|---------------|-------------|
|                           | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| Employee benefits expense | 1.0          | 0.5         | 1.0           | 0.5         |

**Note 52 – Share-based payment plans (continued)****Managing Director**

Mr Fraser was appointed Managing Director and Chief Executive Officer on 22 October 2007. On appointment, Mr Fraser was granted 80,584 SPRs with a face value of \$1,050,000, subject to the LTIP. This grant was made on 25 February 2008 after receiving a waiver from the Australian Securities Exchange requirements under the applicable ASX Listing Rules to grant SPRs without Shareholder approval.

Mr Fraser was Group General Manager Merchant Energy prior to being appointed Managing Director and Chief Executive Officer and was then eligible for an allocation of SPRs. Mr Fraser was granted 23,331 SPRs on 25 February 2008 after receiving a waiver from the Australian Securities Exchange requirements under the applicable ASX Listing Rules to grant SPRs without Shareholder approval.

At the 2008 Annual General Meeting, Shareholder approval was obtained for the grant of SPRs under the LTIP to Mr Fraser in respect of the financial years ending 30 June 2009, 30 June 2010 and 30 June 2011.

The maximum number of SPRs to be granted to Mr Fraser in respect of each of the financial years ending 30 June 2009, 30 June 2010 and 30 June 2011 will be determined by dividing Mr Fraser's Total Fixed Remuneration (TFR) for each of these years by the volume weighted average price (VWAP) of the Parent Entity's shares traded on the ASX during the 30 calendar days following the release of AGL's financial results for the preceding financial year.

On 27 October 2008, Mr Fraser was granted 107,639 SPRs. The number of SPRs granted was determined by dividing Mr Fraser's TFR from 1 September 2008 of \$1,550,000 by \$14.40 (being the VWAP at which the Parent Entity's shares traded on the ASX during the 30 calendar days following the release of AGL's 2008 annual results).

Under the LTIP the Board has an absolute discretion to determine the performance conditions which must be satisfied before SPRs can vest and the period over which SPRs vest.

The SPRs granted to Mr Fraser are subject to a performance condition based on Total Shareholder Return (TSR) with the level of vesting being dependent upon AGL's TSR performance measured against a comparable group of ASX listed companies. The comparable group is the group of companies which comprise the ASX100 at the date of grant.

For the SPRs granted on 27 October 2008, the performance condition will be tested initially on 1 October 2011 and the number of SPRs that vest at that time will be determined in accordance with the table referred to below. To the extent that full vesting does not occur at this point, the performance condition will be retested on 1 October 2012.

Unless the Board, in its absolute discretion, otherwise determines, all SPRs will vest at the end of a four-year vesting period following their grant subject to the satisfaction of the performance conditions applicable to those SPRs. Any SPRs which do not vest because the performance criteria are not met, immediately lapse.

The following table sets out the vesting schedule for SPRs granted during the financial year:

| <b>AGL's TSR ranking relative to ASX100</b>  | <b>Percentage of SPRs that vest</b>                              |
|--|--|
| TSR below 40th percentile                    | 0%   |
| TSR between 40th and 50th percentile         | Progressive vesting on a straight-line basis from 40% to 50%     |
| TSR between 51st and 84th percentile         | Progressive vesting on a straight-line basis from >50% and <100% |
| TSR equal to or greater than 85th percentile | 100%   |

The following table sets out the vesting schedule for SPRs granted during previous financial year:

| <b>AGL's TSR ranking relative to ASX100</b>  | <b>Percentage of SPRs that vest</b>                              |
|--|--|
| TSR below 50th percentile                    | 0%   |
| TSR equal to 50th percentile                 | 50%  |
| TSR between 51st and 74th percentile         | Progressive vesting on a straight-line basis from >50% and <100% |
| TSR equal to or greater than 75th percentile | 100%   |

The following table sets out details of SPRs that have been granted to the Managing Director and remain outstanding under the LTIP at the reporting date:

| SPRs grant       | Number of SPRs | Performance period            | Vesting date     | Fair value |
|------------------|----------------|-------------------------------|------------------|------------|
| 25 February 2008 | 80,584         | 26 October 2007–30 June 2010  | 1 September 2010 | \$7.66     |
| 25 February 2008 | 23,331         | 26 October 2007–30 June 2010  | 1 September 2010 | \$7.66     |
| 27 October 2008  | 107,639        | 1 October 2008–1 October 2011 | 1 October 2011   | \$10.30    |

Details of movements in SPRs in the AGL Long-Term Incentive Plan for the Managing Director are set out below:

| SPRs grant                  | Balance at beginning of the year | Granted during the year | Vested during the year | Lapsed/forfeited during the year | Balance at end of the year | Vested but not exercisable at end of the year |
|-----------------------------|----------------------------------|-------------------------|------------------------|----------------------------------|----------------------------|---|
| <b>2009</b>                 |                                  |                         |                        |                                  |                            |   |
| 25 February 2008            | <b>80,584</b>                    | –                       | –                      | –                                | <b>80,584</b>              | –   |
| 25 February 2008            | <b>23,331</b>                    | –                       | –                      | –                                | <b>23,331</b>              | –   |
| 27 October 2008             | –                                | <b>107,639</b>          | –                      | –                                | <b>107,639</b>             | –   |
|                             | <b>103,915</b>                   | <b>107,639</b>          | –                      | –                                | <b>211,554</b>             | –   |
| <b>2008</b>                 |                                  |                         |                        |                                  |                            |   |
| 8 November 2006 – tranche 1 | 140,851                          | –                       | –                      | (140,851)                        | –                          | –   |
| 8 November 2006 – tranche 2 | 46,950                           | –                       | (46,950)               | –                                | –                          | –   |
| 25 February 2008            | –                                | 80,584                  | –                      | –                                | 80,584                     | –   |
| 25 February 2008            | –                                | 23,331                  | –                      | –                                | 23,331                     | –   |
|                             | 187,801                          | 103,915                 | (46,950)               | (140,851)                        | 103,915                    | –   |

The fair value of services received in return for SPRs granted are measured by reference to the fair value of SPRs granted. The estimate of the fair value of services received is measured based on the Monte Carlo simulation method. The contractual life of the SPRs is used as an input into this model. Expectations of early vesting are incorporated into the Monte Carlo simulation method. Expected volatility is based on the historical share price volatility over the past two years.

| SPRs grant  | Managing Director SPRs |           |
|---|------------------------|-----------|
|   | 27 Oct 08              | 25 Feb 08 |
| Fair value at grant date                            | <b>\$10.30</b>         | \$7.66    |
| Share price at grant date                           | <b>\$13.40</b>         | \$11.60   |
| Expected volatility                                 | <b>24.0%</b>           | 21.0%     |
| SPR life  | <b>3 years</b>         | 2.5 years |
| Expected dividend yield                             | <b>3.5%</b>            | 3.5%      |
| Risk free interest rate (based on government bonds) | <b>4.3%</b>            | 6.8%      |

The total expense arising from share-based payment transactions recognised in the income statement as part of employee benefits expense during the financial year in relation to the Managing Director's SPRs was:

|                           | Consolidated |             | Parent Entity |             |
|---------------------------|--------------|-------------|---------------|-------------|
|                           | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| Employee benefits expense | <b>0.6</b>   | 0.4         | <b>0.6</b>    | 0.4         |

**Note 53 – Related party disclosures****Parent entity**

AGL Energy Limited is the parent entity of the consolidated entity.

**Equity interests in subsidiaries**

Details of interests in subsidiaries are disclosed in Note 46.

**Equity interests in associates and jointly controlled entities**

Details of interests in associates and jointly controlled entities are disclosed in Note 20.

**Key management personnel**

Disclosures relating to key management personnel are set out in Note 50 and in the Directors' Report.

**Amounts owing by associates and jointly controlled entities**

Amounts owing by associates and jointly controlled entities are disclosed in Note 13.

**Loans to subsidiaries**

Loans to subsidiaries are disclosed in Note 25.

**Loans to associates**

The Parent Entity has provided a loan of \$109.6 million (2008: \$99.3 million) to Greater Energy Alliance Corporation Pty Limited (GEAC). Interest is charged at 10% pa and payments are due in August and February. Interest of \$11.2 million (2008: \$10.1 million) was accrued during the year of which \$10.3 million (2008: \$nil) was capitalised as loan principal. Interest and principal repayments of \$nil (2008: \$10.1 million) were received from GEAC during the year. At the reporting date, interest accrued but not yet receivable totals

\$4.6 million (2008: \$3.7 million). The outstanding loan principal including any capitalised interest must be repaid on or before 7 April 2024.

**Loans from subsidiaries**

Loans from subsidiaries are disclosed in Notes 30 and 36.

**Dividends received from related parties**

The Parent Entity received dividends of \$786.9 million (2008: \$110.0 million) from its subsidiaries.

The Parent Entity received dividends of \$10.6 million (2008: \$13.6 million) from its jointly controlled entity, Auscom Holdings Pty Limited.

**Interest income received from subsidiaries**

The Parent Entity received interest income of \$376.9 million (2008: \$388.4 million) on loans to its subsidiaries.

**Interest expense paid to subsidiaries**

The Parent Entity paid interest expense of \$91.1 million (2008: \$102.0 million) on loans from its subsidiaries.

**Other transactions between the Parent Entity and its subsidiaries**

The Parent Entity advanced funds to and received funds from its wholly-owned subsidiaries as interest-bearing loans in the ordinary course of business on normal commercial terms and conditions.

The Parent Entity sold natural gas of \$nil (2008: \$0.7 million) on normal commercial terms and conditions to certain wholly-owned subsidiaries for eventual sale to consumers.

|  | Consolidated |             |
|--|--------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m |
| <b>Other transactions between the consolidated entity and its related parties</b>  |              |             |
| <b>ActewAGL Retail Partnership</b>   |              |             |
| Certain subsidiaries are contracted to provide management and retail services to the retail partnership on normal commercial terms and conditions  | 7.1          | 5.9         |
| Certain subsidiaries supplied electricity and gas to the retail partnership on normal commercial terms and conditions  | 251.2        | 226.9       |
| <b>Queensland Gas Company Limited</b>  |              |             |
| The consolidated entity disposed of its ownership interest in Queensland Gas Company Limited (QGC) on 5 November 2008. Up until the date of disposal, there were the following transactions between the consolidated entity and QGC: |              |             |
| The consolidated entity purchased 0.8 petajoules (2008: 2.3 PJ) of gas from QGC on normal commercial terms and conditions under a gas sale agreement   | 2.0          | 6.0         |
| The consolidated entity provided gas market development services to QGC on normal commercial terms and conditions  | 2.5          | 9.4         |
| <b>Greater Energy Alliance Corporation Pty Limited</b>   |              |             |
| Certain subsidiaries received/(paid) difference receipts from the settlement of electricity hedges on normal commercial terms and conditions   | (0.2)        | 163.5       |

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Note 54 – Cash flow information</b>   |              |             |               |             |
| <b>(a) Reconciliation of profit for the period to net cash flows from operating activities</b>   |              |             |               |             |
| Profit for the period  | 1,596.1      | 229.0       | 1,651.9       | 239.1       |
| Share of profits of associates and jointly controlled entities   | (54.4)       | (99.8)      | –             | –           |
| Dividends received from associates and jointly controlled entities   | 27.0         | 33.5        | –             | –           |
| Depreciation and amortisation  | 123.0        | 168.6       | 17.7          | 14.7        |
| Impairment of non-current assets   | 37.2         | 100.8       | 1.3           | 114.1       |
| Share-based payments expense   | 2.8          | 2.1         | 2.8           | 2.1         |
| Net fair value movements on derivatives  | 275.4        | 608.4       | (29.3)        | 11.6        |
| Gain on disposal of investments  | (903.5)      | (146.0)     | (1,003.0)     | (124.3)     |
| (Gain)/loss on disposal of businesses and subsidiaries   | (800.6)      | 3.0         | (25.5)        | 51.9        |
| Net loss/(gain) on disposal of property, plant and equipment   | 7.8          | 2.1         | –             | –           |
| Net foreign exchange losses/(gains)  | 47.2         | 42.0        | (5.0)         | 43.1        |
| Non-cash finance costs   | 16.5         | 17.1        | 2.4           | 2.7         |
| Capitalised finance costs  | (21.8)       | (12.8)      | –             | –           |
| Changes in assets and liabilities  |              |             |               |             |
| (Increase)/decrease in trade and other receivables   | (42.4)       | 537.7       | (12.0)        | (12.8)      |
| (Increase)/decrease in inventories   | (12.3)       | (12.9)      | (3.1)         | (0.2)       |
| (Increase)/decrease in other assets  | (12.2)       | (95.5)      | (0.6)         | (1.3)       |
| Increase/(decrease) in trade and other payables  | (63.9)       | (879.6)     | 3.4           | (70.0)      |
| Increase/(decrease) in provisions  | (8.8)        | 0.4         | 19.1          | 0.7         |
| Increase/(decrease) in other liabilities   | (300.5)      | 23.9        | 1.7           | (17.7)      |
| Increase/(decrease) in tax assets and liabilities  | 322.8        | (167.3)     | 305.6         | 35.9        |
| Net cash provided by operating activities  | 235.4        | 354.7       | 927.4         | 289.6       |
| <b>(b) Subsidiaries and businesses acquired</b>  |              |             |               |             |
| Net cash outflow on acquisition of subsidiaries and businesses (Note 47)   | 623.2        | 620.1       | 628.2         | 141.8       |
| <b>(c) Subsidiaries and businesses disposed</b>  |              |             |               |             |
| Net cash inflow on disposal of subsidiaries and businesses:  |              |             |               |             |
| Discontinued operations (Note 10)  | 1,201.8      | 57.5        | 100.8         | 70.4        |
| Subsidiary disposed in current period  | 42.1         | –           | 42.1          | –           |
| Subsidiary disposed in prior period  | 3.6          | –           | 3.6           | –           |
|  | 1,247.5      | 57.5        | 146.5         | 70.4        |
| <b>(d) Reconciliation of cash and cash equivalents</b>   |              |             |               |             |
| Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows: |              |             |               |             |
| Cash at bank and on hand   | 67.5         | 63.7        | 59.1          | 33.0        |
| Short-term money market deposits   | 555.6        | 0.1         | 553.0         | 0.1         |
| Cash and cash equivalents attributable to discontinued operations (Note 10)  | –            | 9.4         | –             | –           |
|  | 623.1        | 73.2        | 612.1         | 33.1        |
| <b>(e) Non-cash financing and investing activities</b>   |              |             |               |             |
| Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 38)  | 58.7         | 112.9       | 58.7          | 112.9       |
| <b>(f) Financing facilities</b>  |              |             |               |             |
| The consolidated entity has access to the following committed bank facilities:   |              |             |               |             |
| <b>Total facilities</b>  |              |             |               |             |
| Bank loans – unsecured   | 2,261.7      | 3,314.2     | 2,261.7       | 3,314.2     |
| <b>Amounts used</b>  |              |             |               |             |
| Bank loans – unsecured   | 1,104.1      | 2,077.5     | 1,104.1       | 2,077.5     |
| Bank guarantees  | 455.0        | 714.3       | 455.0         | 714.3       |
|  | 1,559.1      | 2,791.8     | 1,559.1       | 2,791.8     |
| <b>Amounts unused</b>  |              |             |               |             |
|  | 702.6        | 522.4       | 702.6         | 522.4       |

**Note 54 – Cash flow information (continued)****Details of major financing facilities**

**Amortising Syndicated Subscription Facility** – \$886.7 million (2008: \$1,742.5 million) fully underwritten facility provided by a syndicate of international banks. The borrower under this facility is AGL Energy Limited. Two tranches amounting to \$855.8 million were cancelled in June 2009 on completion of AGL's debt refinancing. The remaining tranche of \$886.7 million matures in October 2011. As at 30 June 2009 the facility was fully utilised.

**Amortising Syndicated Subscription Facility** – \$200.0 million (2008: \$nil) facility provided by a syndicate of international banks. The borrower under this facility is AGL Energy Limited. The facility matures in June 2012. As at 30 June 2009 the facility was fully utilised.

**Revolving Syndicated Facility** – \$600.0 million (2008: \$nil) facility provided by a syndicate of international banks. The facility matures in June 2012. As at 30 June 2009, \$20.0 million was utilised.

**Revolving Syndicated Facility** – \$nil (2008: \$500.0 million) fully underwritten facility provided by a syndicate of international banks. This facility was cancelled in June 2009 on completion of AGL's debt refinancing.

**Syndicated Working Capital Facility** – \$nil (2008: \$327.5 million) fully underwritten facility provided by a syndicate of banks. This facility was cancelled in June 2009 on completion of AGL's debt refinancing.

**Bilateral Facility Agreements** – \$575.0 million (2008: \$744.2 million) fully underwritten facilities provided by four international banks. The borrower under these facilities is AGL Energy Limited. These facilities are used for the issuance of bank guarantees. Of these facilities, \$120.0 million matures in May 2010, \$150.0 million matures in June 2010, \$100.0 million matures in October 2010 and \$205.0 million matures in October 2011. As at 30 June 2009, \$nil was utilised as borrowings and \$455.0 million of bank guarantees were issued.

**Note 55 – Economic dependency**

(a) The consolidated entity is dependent to a significant extent upon various consortia of producers for the supply of natural gas from the Cooper Basin in South Australia, the Gippsland Field in Bass Strait and the Surat/Bowen Basin in Queensland. Long-term contracts protect the continuity of supply from these producers.

The consolidated entity has an obligation to pay the consortia of producers for a specified minimum quantity of gas each contract year, irrespective of the quantity actually supplied by the producers. The consolidated entity has the right to receive, without additional payment to the producers, a future delivery of gas equivalent to the quantity paid for but not taken in any contract year.

(b) The consolidated entity is dependent to a significant extent on the acquisition of electricity from generating entities and the use of transmission systems. Ongoing contracts are in place both for the purchase of electricity and the use of the transmission systems.

**Note 56 – Financial instruments****(a) Capital risk management**

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to maintain an appropriate capital structure of debt and equity.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt. The consolidated entity's overall capital management strategy remains unchanged from 2008.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Notes 28 and 34, cash and cash equivalents disclosed in Notes 10 and 12 and total equity, comprising issued capital, reserves and retained earnings as disclosed in Notes 38, 39 and 40 respectively.

The consolidated entity monitors capital on the basis of the gearing ratio and funds from operations (FFO) to interest expense cover.

The gearing ratio is calculated as net debt divided by adjusted total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted total capital is calculated as total equity less the hedging reserve plus net debt. The gearing ratio at the reporting date was as follows:

|   | Consolidated   |             |
|---|----------------|-------------|
|   | 2009<br>\$m    | 2008<br>\$m |
| Total borrowings  | <b>1,120.2</b> | 2,101.7     |
| Cash and cash equivalents   | <b>(623.1)</b> | (63.8)      |
| Cash and cash equivalents attributable to discontinued operations | –              | (9.4)       |
| Net debt  | <b>497.1</b>   | 2,028.5     |
| Total equity  | <b>5,845.7</b> | 4,979.9     |
| Less: hedging reserve   | <b>(12.2)</b>  | (524.9)     |
| Adjusted equity   | <b>5,833.5</b> | 4,455.0     |
| Net debt  | <b>497.1</b>   | 2,028.5     |
| Adjusted total capital  | <b>6,330.6</b> | 6,483.5     |
| Gearing ratio   | <b>7.9%</b>    | 31.3%       |

Funds from operations (FFO) to interest expense cover is calculated as FFO divided by net interest expense. FFO is calculated as earnings before interest, tax, depreciation and amortisation (EBITDA), less significant items, changes in fair value of derivative financial instruments, share of profits of associates and jointly controlled entities using the equity method, plus dividends received and less income tax paid. Net interest expense includes finance costs capitalised and excludes unwinding of discount on provisions. FFO to net interest expense cover at the reporting date was as follows:

|  | Consolidated     |             |
|--|------------------|-------------|
|  | 2009<br>\$m      | 2008<br>\$m |
| Profit before net financing costs                              | <b>2,068.2</b>   | 318.7       |
| Depreciation and amortisation                                  | <b>123.0</b>     | 168.6       |
| Finance income included in EBITDA                              | <b>12.5</b>      | 24.0        |
| EBITDA   | <b>2,203.7</b>   | 511.3       |
| Significant (income)/expense items                             | <b>(1,746.9)</b> | 97.6        |
| Changes in fair value of financial instruments                 | <b>336.3</b>     | 262.9       |
| Operating EBITDA   | <b>793.1</b>     | 871.8       |
| Share of profits of associates and jointly controlled entities | <b>(50.4)</b>    | (47.0)      |
| Dividends from equity accounted investments                    | <b>27.0</b>      | 33.5        |
| Income tax paid  | <b>(61.7)</b>    | (104.6)     |
| Funds from operations (FFO)                                    | <b>708.0</b>     | 753.7       |
| Net financing costs  | <b>81.5</b>      | 151.9       |
| Finance income included in EBITDA                              | <b>12.5</b>      | 24.0        |
| Finance costs capitalised                                      | <b>21.8</b>      | 12.8        |
| Unwinding of discounts on provisions                           | <b>(14.0)</b>    | (14.6)      |
| Net interest expense   | <b>101.8</b>     | 174.1       |
| FFO to interest expense cover (times)                          | <b>7.0</b>       | 4.3         |

**Note 56 – Financial instruments (continued)****(b) Categories of financial assets and financial liabilities**

The following tables details the carrying amounts and fair values of the consolidated entity's and the Parent Entity's financial assets and financial liabilities:

| Consolidated  | 2009                   |                   | 2008                   |                   |
|---|------------------------|-------------------|------------------------|-------------------|
|   | Carrying amount<br>\$m | Fair value<br>\$m | Carrying amount<br>\$m | Fair value<br>\$m |
| <b>Financial assets – current</b>                                 |                        |                   |                        |                   |
| Cash and cash equivalents   | 623.1                  | 623.1             | 63.8                   | 63.8              |
| Cash and cash equivalents attributable to discontinued operations | –                      | –                 | 9.4                    | 9.4               |
| Trade and other receivables                                       | 1,209.7                | 1,209.7           | 1,171.0                | 1,171.0           |
| Futures deposits and margin calls                                 | 80.4                   | 80.4              | 13.6                   | 13.6              |
| Derivative financial instruments                                  |                        |                   |                        |                   |
| – Energy derivatives – cash flow hedges                           | 88.1                   | 88.1              | 475.8                  | 475.8             |
| – Energy derivatives – economic hedges                            | 269.8                  | 269.8             | 721.5                  | 721.5             |
|   | <b>2,271.1</b>         | <b>2,271.1</b>    | 2,455.1                | 2,455.1           |
| <b>Financial assets – non-current</b>                             |                        |                   |                        |                   |
| Trade and other receivables                                       | 0.7                    | 0.7               | 0.8                    | 0.8               |
| Available-for-sale investments                                    | 1.2                    | 1.2               | –                      | –                 |
| Loans to associates   | 110.7                  | 110.7             | 99.3                   | 99.3              |
| Derivative financial instruments                                  |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges                 | –                      | –                 | 21.5                   | 21.5              |
| – Forward foreign exchange contracts – cash flow hedges           | 0.1                    | 0.1               | –                      | –                 |
| – Energy derivatives – cash flow hedges                           | 74.0                   | 74.0              | 343.3                  | 343.3             |
|   | <b>186.7</b>           | <b>186.7</b>      | 464.9                  | 464.9             |
| <b>Total financial assets</b>                                     | <b>2,457.8</b>         | <b>2,457.8</b>    | 2,920.0                | 2,920.0           |
| <b>Financial liabilities – current</b>                            |                        |                   |                        |                   |
| Trade and other payables  | 800.8                  | 800.8             | 852.0                  | 852.0             |
| Derivative financial instruments                                  |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges                 | 12.0                   | 12.0              | –                      | –                 |
| – Forward foreign exchange contracts – cash flow hedges           | 0.3                    | 0.3               | 1.5                    | 1.5               |
| – Forward foreign exchange contracts – net investment hedges      | –                      | –                 | 0.7                    | 0.7               |
| – Energy derivatives – cash flow hedges                           | 78.0                   | 78.0              | 101.8                  | 101.8             |
| – Energy derivatives – economic hedges                            | 353.7                  | 353.7             | 666.4                  | 666.4             |
|   | <b>1,244.8</b>         | <b>1,244.8</b>    | 1,622.4                | 1,622.4           |
| <b>Financial liabilities – non-current</b>                        |                        |                   |                        |                   |
| Trade and other payables  | 19.0                   | 19.0              | 38.2                   | 38.2              |
| Bank loans  | 1,104.1                | 1,104.1           | 2,077.5                | 2,077.5           |
| Finance lease liabilities   | 9.6                    | 9.6               | 8.8                    | 8.8               |
| Customer deposits   | 3.0                    | 3.0               | 12.1                   | 12.1              |
| Other loans   | 3.5                    | 3.5               | 3.3                    | 3.3               |
| Derivative financial instruments                                  |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges                 | 9.7                    | 9.7               | –                      | –                 |
| – Forward foreign exchange contracts – cash flow hedges           | 0.9                    | 0.9               | 0.3                    | 0.3               |
| – Energy derivatives – cash flow hedges                           | 48.4                   | 48.4              | 12.5                   | 12.5              |
|   | <b>1,198.2</b>         | <b>1,198.2</b>    | 2,152.7                | 2,152.7           |
| <b>Total financial liabilities</b>                                | <b>2,443.0</b>         | <b>2,443.0</b>    | 3,775.1                | 3,775.1           |

|  | 2009                   |                   | 2008                   |                   |
|--|------------------------|-------------------|------------------------|-------------------|
|  | Carrying amount<br>\$m | Fair value<br>\$m | Carrying amount<br>\$m | Fair value<br>\$m |
| <b>Parent Entity</b>   |                        |                   |                        |                   |
| <b>Financial assets – current</b>                            |                        |                   |                        |                   |
| Cash and cash equivalents                                    | 612.1                  | 612.1             | 33.1                   | 33.1              |
| Trade and other receivables                                  | 16.4                   | 16.4              | 18.3                   | 18.3              |
| Derivative financial instruments                             |                        |                   |                        |                   |
| – Energy derivatives – cash flow hedges                      | –                      | –                 | 247.5                  | 247.5             |
| – Energy derivatives – economic hedges                       | 30.4                   | 30.4              | 42.1                   | 42.1              |
|  | <b>658.9</b>           | <b>658.9</b>      | 341.0                  | 341.0             |
| <b>Financial assets – non-current</b>                        |                        |                   |                        |                   |
| Available-for-sale investments                               | 1.2                    | 1.2               | –                      | –                 |
| Loans to subsidiaries  | 5,537.1                | 5,537.1           | 5,218.2                | 5,218.2           |
| Loans to associates  | 110.7                  | 110.7             | 99.3                   | 99.3              |
| Derivative financial instruments                             |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges            | –                      | –                 | 21.5                   | 21.5              |
| – Forward foreign exchange contracts – cash flow hedges      | 0.1                    | 0.1               | –                      | –                 |
| – Energy derivatives – cash flow hedges                      | –                      | –                 | –                      | –                 |
|  | <b>5,649.1</b>         | <b>5,649.1</b>    | 5,339.0                | 5,339.0           |
| <b>Total financial assets</b>                                | <b>6,308.0</b>         | <b>6,308.0</b>    | 5,680.0                | 5,680.0           |
| <b>Financial liabilities – current</b>                       |                        |                   |                        |                   |
| Trade and other payables                                     | 41.0                   | 41.0              | 40.0                   | 40.0              |
| Loans from subsidiaries                                      | 480.0                  | 480.0             | 480.0                  | 480.0             |
| Derivative financial instruments                             |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges            | 12.0                   | 12.0              | –                      | –                 |
| – Forward foreign exchange contracts – cash flow hedges      | 0.3                    | 0.3               | 1.5                    | 1.5               |
| – Forward foreign exchange contracts – net investment hedges | –                      | –                 | 0.7                    | 0.7               |
| – Energy derivatives – economic hedges                       | 35.3                   | 35.3              | 318.3                  | 318.3             |
|  | <b>568.6</b>           | <b>568.6</b>      | 840.5                  | 840.5             |
| <b>Financial liabilities – non-current</b>                   |                        |                   |                        |                   |
| Bank loans – at amortised cost                               | 1,104.1                | 1,104.1           | 2,077.5                | 2,077.5           |
| Customer deposits  | –                      | –                 | 0.6                    | 0.6               |
| Loans from subsidiaries                                      | 1,254.6                | 1,254.6           | 948.7                  | 948.7             |
| Derivative financial instruments                             |                        |                   |                        |                   |
| – Interest rate swap contracts – cash flow hedges            | 9.7                    | 9.7               | –                      | –                 |
| – Forward foreign exchange contracts – cash flow hedges      | 0.9                    | 0.9               | 0.3                    | 0.3               |
|  | <b>2,369.3</b>         | <b>2,369.3</b>    | 3,027.1                | 3,027.1           |
| <b>Total financial liabilities</b>                           | <b>2,937.9</b>         | <b>2,937.9</b>    | 3,867.6                | 3,867.6           |

### (c) Financial risk management

The consolidated entity's activities expose it to a variety of financial risks, including market risk (interest rate risk, foreign currency risk and energy price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on the consolidated entity's financial performance. The consolidated entity uses a range of derivative financial instruments to hedge these risk exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management policy and framework. The Board has established the Audit and Risk Management Committee, which is responsible for approving the consolidated entity's risk management policy and framework for identifying, assessing and managing risk. The Committee is also responsible for reviewing and updating the risk profile, monitoring the effectiveness of the risk management framework and reviewing at least annually the implementation of the risk management policy

and framework. The Committee reports regularly to the Board of Directors on its activities.

Financial risk management is carried out by Corporate Treasury for interest rate risk, foreign currency risk and liquidity risk in accordance with the Board-approved Treasury Policy. Risk management activities in respect of energy price risk associated with the purchase and/or sale of electricity, gas, environmental products and oil are undertaken by Merchant Energy in accordance with the Board-approved Wholesale Energy Risk Management Policy. Finance, Corporate Treasury and Merchant Energy identify, evaluate and hedge the financial risks in close cooperation with the consolidated entity's business units.

The consolidated entity has written policies covering specific areas, such as interest rate risk, foreign currency risk, energy price risk, credit risk, liquidity risk, and the use of derivative and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis.

**Note 56 – Financial instruments (continued)****(d) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

**(e) Interest rate risk management**

The consolidated entity's interest rate risk arises mainly from debt. The consolidated entity is exposed to cash flow interest rate risk as funds are borrowed at floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and

floating rate borrowings, by the use of interest rate swap contracts or other hedging instruments. At 30 June 2009, \$1,100.0 million (2008: \$1,100.0 million) of the consolidated entity's borrowings was at fixed rates after taking into account the effect of interest rate swaps.

The consolidated entity regularly analyses its interest rate exposure, by taking into consideration forecast debt positions, refinancing, renewals of existing positions, alternative financing, hedging positions and the mix of fixed and floating interest rates.

At reporting date, the consolidated entity had the following financial assets and liabilities (other than derivatives) exposed to floating interest rate risk:

|   | Consolidated     |             | Parent Entity    |             |
|---|------------------|-------------|------------------|-------------|
|   | 2009<br>\$m      | 2008<br>\$m | 2009<br>\$m      | 2008<br>\$m |
| <b>Floating rate instruments</b>                                  |                  |             |                  |             |
| <b>Financial assets</b>   |                  |             |                  |             |
| Cash and cash equivalents   | <b>623.1</b>     | 63.8        | <b>612.1</b>     | 33.1        |
| Cash and cash equivalents attributable to discontinued operations | –                | 9.4         | –                | –           |
|   | <b>623.1</b>     | 73.2        | <b>612.1</b>     | 33.1        |
| <b>Financial liabilities</b>                                      |                  |             |                  |             |
| Bank loans  | <b>1,104.1</b>   | 2,077.5     | <b>1,104.1</b>   | 2,077.5     |
| Other loans   | <b>3.5</b>       | 3.3         | –                | –           |
| Interest rate swap contracts                                      | <b>(1,100.0)</b> | (1,100.0)   | <b>(1,100.0)</b> | (1,100.0)   |
|   | <b>7.6</b>       | 980.8       | <b>4.1</b>       | 977.5       |

**Interest rate swap contracts – cash flow hedges**

Generally, the consolidated entity raises debt at floating rates and swaps a portion into fixed rates based on the requirements of the Corporate Treasury policy.

Under interest rate swap contracts, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

|   | Average contracted<br>fixed interest rate |           | Notional principal amount |             | Fair value    |             |
|---|---|-----------|---------------------------|-------------|---------------|-------------|
|   | 2009<br>%                                 | 2008<br>% | 2009<br>\$m               | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Outstanding floating for fixed contracts</b> |   |           |                           |             |               |             |
| <b>Consolidated</b>                             |   |           |                           |             |               |             |
| Less than 1 year                                | <b>6.5</b>                                | –         | <b>1,100.0</b>            | –           | <b>(12.0)</b> | –           |
| 1 to 2 years                                    | –   | 6.5       | –                         | 1,100.0     | –             | 21.5        |
| 2 to 3 years                                    | <b>6.5</b>                                | –         | <b>275.0</b>              | –           | <b>(9.7)</b>  | –           |
|   |   |           | <b>1,375.0</b>            | 1,100.0     | <b>(21.7)</b> | 21.5        |
| <b>Parent Entity</b>                            |   |           |                           |             |               |             |
| Less than 1 year                                | <b>6.5</b>                                | –         | <b>1,100.0</b>            | –           | <b>(12.0)</b> | –           |
| 1 to 2 years                                    | –   | 6.5       | –                         | 1,100.0     | –             | 21.5        |
| 2 to 3 years                                    | <b>6.5</b>                                | –         | <b>275.0</b>              | –           | <b>(9.7)</b>  | –           |
|   |   |           | <b>1,375.0</b>            | 1,100.0     | <b>(21.7)</b> | 21.5        |

The aggregate notional principal amount of the outstanding interest rate swap contracts at 30 June 2009 was \$1,375.0 million (2008: \$1,100.0 million). Included in this amount are \$275.0 million (2008: \$nil) of forward interest rate swap contracts that commence in the 2010 financial year.

The interest rate swap contracts require settlement of net interest receivable or payable on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. The consolidated entity will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating interest amounts for fixed interest amounts are designated as cash flow hedges in order to reduce the consolidated entity's cash flow exposure resulting from variable interest rates on borrowings. Interest rate swap settlement dates coincide with the dates on which interest is payable on the underlying borrowings.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and transferred to profit or loss and included in finance costs when the hedged interest expense is recognised. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss as part of finance costs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that was deferred in equity is transferred immediately to profit and loss. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

The following table details the movements in the hedging reserve from interest rate swap contracts:

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Hedging reserve</b>   |              |             |               |             |
| Balance at beginning of financial year                             | 15.0         | 4.7         | 15.0          | 4.7         |
| (Loss)/gain from cash flow hedges taken to equity                  | (46.4)       | 17.9        | (46.4)        | 17.9        |
| Loss/(gain) transferred to finance costs                           | 3.2          | (3.1)       | 3.2           | (3.1)       |
| Income tax on items taken directly to or transferred from equity   | 13.0         | (4.5)       | 13.0          | (4.5)       |
| Balance at end of financial year                                   | (15.2)       | 15.0        | (15.2)        | 15.0        |
| Cash flow ineffectiveness recognised immediately in profit or loss | -            | -           | -             | -           |

#### Interest rate sensitivity

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, profit after tax and equity would have been affected as follows:

|  | Profit after tax<br>Increase/(decrease) |             | Equity<br>(Hedging reserve)<br>Increase/(decrease) |             |
|--|---|-------------|--|-------------|
|  | 2009<br>\$m                             | 2008<br>\$m | 2009<br>\$m  | 2008<br>\$m |
| <b>Consolidated</b>                    |   |             |  |             |
| Interest rates +0.5% (50 basis points) | 2.2                                     | (3.4)       | (2.8)  | 3.8         |
| Interest rates -0.5% (50 basis points) | (2.2)                                   | 3.4         | 2.8  | (5.3)       |
| <b>Parent Entity</b>                   |   |             |  |             |
| Interest rates +0.5% (50 basis points) | 2.2                                     | (3.4)       | (2.8)  | 3.8         |
| Interest rates -0.5% (50 basis points) | (2.2)                                   | 3.4         | 2.8  | (5.3)       |

The sensitivity to a 50 basis point increase or decrease in interest rates is considered reasonable given the market forecasts available at the reporting date and under the current economic environment in which the consolidated entity operates.

The movements in profit after tax are mainly attributable to an increase/decrease in interest expense from floating rate borrowings and an increase/decrease in interest income from cash and cash equivalents. The movement in equity is due to an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

#### (f) Foreign currency risk management

The consolidated entity is exposed to foreign currency risk on certain transactions that are denominated in a currency other than the respective entity's functional currency, hence exposures to exchange rate fluctuations arise. Foreign currency risk arises primarily from firm commitments for the purchase of plant and equipment denominated mainly in United States dollars, Japanese yen, British pounds and Euros. The consolidated entity uses forward foreign exchange contracts to hedge its currency exposure.

Foreign currency risk also arises on translation of the net assets of the consolidated entity's foreign operations from their functional currency to Australian dollars. The consolidated entity hedges its material investments in foreign operations to mitigate exposure to this risk using forward foreign exchange contracts in the relevant currency of the investment.

**Note 56 – Financial instruments (continued)**

The following table details the forward foreign exchange contracts outstanding as at reporting date:

|                              | Average exchange rate |       | Foreign currency |             | Contract value |             | Fair value   |              |
|------------------------------|-----------------------|-------|------------------|-------------|----------------|-------------|--------------|--------------|
|                              | 2009                  | 2008  | 2009<br>FCm      | 2008<br>FCm | 2009<br>\$m    | 2008<br>\$m | 2009<br>\$m  | 2008<br>\$m  |
| <b>Outstanding contracts</b> |                       |       |                  |             |                |             |              |              |
| <b>Consolidated</b>          |                       |       |                  |             |                |             |              |              |
| <b>Buy US dollars</b>        |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | <b>0.717</b>          | 0.836 | <b>0.4</b>       | 1.0         | <b>0.5</b>     | 1.2         | <b>(0.1)</b> | (0.1)        |
| 6 to 12 months               | <b>0.678</b>          | –     | <b>0.7</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 1 to 2 years                 | <b>0.637</b>          | –     | <b>1.0</b>       | –           | <b>1.5</b>     | –           | <b>(0.3)</b> | –            |
| 2 to 3 years                 | <b>0.624</b>          | –     | <b>0.9</b>       | –           | <b>1.5</b>     | –           | <b>(0.2)</b> | –            |
| <b>Buy Japanese yen</b>      |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | <b>81.99</b>          | 86.43 | <b>197.2</b>     | 110.9       | <b>2.4</b>     | 1.3         | <b>0.1</b>   | (0.2)        |
| 6 to 12 months               | –                     | 84.15 | –                | 805.8       | –              | 9.6         | –            | (1.2)        |
| 1 to 2 years                 | –                     | 81.99 | –                | 197.2       | –              | 2.4         | –            | (0.3)        |
| <b>Buy Euro</b>              |                       |       |                  |             |                |             |              |              |
| 6 to 12 months               | <b>0.506</b>          | –     | <b>0.2</b>       | –           | <b>0.4</b>     | –           | –            | –            |
| 1 to 2 years                 | <b>0.495</b>          | –     | <b>0.5</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 2 to 3 years                 | <b>0.484</b>          | –     | <b>0.3</b>       | –           | <b>0.7</b>     | –           | <b>(0.1)</b> | –            |
| <b>Buy British pounds</b>    |                       |       |                  |             |                |             |              |              |
| 6 to 12 months               | <b>0.414</b>          | –     | <b>0.1</b>       | –           | <b>0.3</b>     | –           | <b>(0.1)</b> | –            |
| 1 to 2 years                 | <b>0.412</b>          | –     | <b>0.4</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 2 to 3 years                 | <b>0.406</b>          | –     | <b>0.3</b>       | –           | <b>0.6</b>     | –           | <b>(0.1)</b> | –            |
| <b>Net investment hedges</b> |                       |       |                  |             |                |             |              |              |
| Sell US dollars              |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | –                     | 0.937 | –                | 280.0       | –              | 298.8       | –            | (0.7)        |
|                              |                       |       |                  |             |                |             | <b>(1.1)</b> | <b>(2.5)</b> |
| <b>Parent Entity</b>         |                       |       |                  |             |                |             |              |              |
| <b>Buy US dollars</b>        |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | <b>0.717</b>          | 0.836 | <b>0.4</b>       | 1.0         | <b>0.5</b>     | 1.2         | <b>(0.1)</b> | (0.1)        |
| 6 to 12 months               | <b>0.678</b>          | –     | <b>0.7</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 1 to 2 years                 | <b>0.637</b>          | –     | <b>1.0</b>       | –           | <b>1.5</b>     | –           | <b>(0.3)</b> | –            |
| 2 to 3 years                 | <b>0.624</b>          | –     | <b>0.9</b>       | –           | <b>1.5</b>     | –           | <b>(0.2)</b> | –            |
| <b>Buy Japanese yen</b>      |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | <b>81.99</b>          | 86.43 | <b>197.2</b>     | 110.9       | <b>2.4</b>     | 1.3         | <b>0.1</b>   | (0.2)        |
| 6 to 12 months               | –                     | 84.15 | –                | 805.8       | –              | 9.6         | –            | (1.2)        |
| 1 to 2 years                 | –                     | 81.99 | –                | 197.2       | –              | 2.4         | –            | (0.3)        |
| <b>Buy Euro</b>              |                       |       |                  |             |                |             |              |              |
| 6 to 12 months               | <b>0.506</b>          | –     | <b>0.2</b>       | –           | <b>0.4</b>     | –           | –            | –            |
| 1 to 2 years                 | <b>0.495</b>          | –     | <b>0.5</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 2 to 3 years                 | <b>0.484</b>          | –     | <b>0.3</b>       | –           | <b>0.7</b>     | –           | <b>(0.1)</b> | –            |
| <b>Buy British pounds</b>    |                       |       |                  |             |                |             |              |              |
| 6 to 12 months               | <b>0.414</b>          | –     | <b>0.1</b>       | –           | <b>0.3</b>     | –           | <b>(0.1)</b> | –            |
| 1 to 2 years                 | <b>0.412</b>          | –     | <b>0.4</b>       | –           | <b>1.0</b>     | –           | <b>(0.1)</b> | –            |
| 2 to 3 years                 | <b>0.406</b>          | –     | <b>0.3</b>       | –           | <b>0.6</b>     | –           | <b>(0.1)</b> | –            |
| <b>Net investment hedges</b> |                       |       |                  |             |                |             |              |              |
| Sell US dollars              |                       |       |                  |             |                |             |              |              |
| Less than 6 months           | –                     | 0.937 | –                | 280.0       | –              | 298.8       | –            | (0.7)        |
|                              |                       |       |                  |             |                |             | <b>(1.1)</b> | <b>(2.5)</b> |

### Forward foreign exchange contracts – cash flow hedges

The consolidated entity's Corporate Treasury policy requires the hedging of foreign currency risk using forward foreign exchange contracts. The Corporate Treasury's policy is to hedge currency exposures of anticipated cash flows in excess of \$0.5 million and to not enter into forward foreign exchange contracts until a firm commitment is in place.

The consolidated entity has entered into contracts to purchase plant and equipment denominated in United States dollars, Japanese yen, British pounds and Euros. The consolidated entity has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges.

These anticipated purchases are expected to occur at various dates between one month to three years from the reporting date. The contracts are timed to mature when payments for the purchases are scheduled to be made. When necessary, forward foreign exchange contracts are rolled over at maturity.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective. When the anticipated purchase occurs, the amount deferred in equity will be transferred and included in the initial measurement of the cost of plant and equipment. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss as part of other income or other expenses.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that was deferred in equity is transferred immediately to profit and loss. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

The following table details the movements in the hedging reserve from forward foreign exchange contracts:

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Hedging reserve</b>   |              |             |               |             |
| Balance at beginning of financial year                             | <b>(1.2)</b> | (1.5)       | <b>(1.2)</b>  | (1.5)       |
| Gain/(loss) from cash flow hedges taken to equity                  | <b>0.7</b>   | 0.4         | <b>0.7</b>    | 0.4         |
| (Gain)/loss transferred to plant and equipment                     | –            | –           | –             | –           |
| Income tax on items taken directly to or transferred from equity   | <b>(0.2)</b> | (0.1)       | <b>(0.2)</b>  | (0.1)       |
| Balance at end of financial year                                   | <b>(0.7)</b> | (1.2)       | <b>(0.7)</b>  | (1.2)       |
| Cash flow ineffectiveness recognised immediately in profit or loss | –            | –           | –             | –           |

### Hedges of net investments in foreign operations

The consolidated entity had exposure to foreign currency risk as a result of its investment in operations in Papua New Guinea. This risk was created by the translation of the net assets of this entity from its functional currency of United States dollars to Australian dollars. As a result, the consolidated entity's balance sheet could have been affected significantly by movements in the US\$/A\$ exchange rates. The consolidated entity managed this foreign currency translation risk with forward foreign exchange contracts denominated in United States dollars. These hedging instruments were designated as hedges of the net investment in the Papua New Guinea operations.

The gain or loss from remeasuring the hedging instruments at fair value was recognised directly in equity in the foreign currency translation reserve, to the extent that the hedge is effective. The gain or loss relating to the ineffective portion of the hedge was recognised immediately in profit or loss as part of other income or other expenses. The cumulative amount of the gain or loss recognised in equity was transferred into profit and loss when the foreign operation was disposed of in December 2008.

As a result of disposal of the net investment in Papua New Guinea, there were no forward exchange contracts outstanding at 30 June 2009. In the 2008 financial year, net losses after tax of \$17.6 million on net investment hedges were deferred in the foreign currency translation reserve in the consolidated balance sheet.

### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase or decrease in the Australian dollar against the relevant foreign currencies. A sensitivity of 10% has been used as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

The sensitivity analysis includes only outstanding foreign currency denominated financial instruments in a currency different to their functional currency and adjusts their translation at the reporting date for a 10% change in foreign currency rates. The sensitivity analysis for the Parent Entity for the 2008 financial year included a loan to a subsidiary, denominated in United States dollars.

**Note 56 – Financial instruments (continued)**

At reporting date, if the Australian dollar had been 10% higher or lower and all other variables were held constant, profit after tax and equity would have been affected as follows:

|                      | Profit after tax<br>Increase/(decrease) |             | Equity<br>(Foreign currency<br>translation reserve)<br>Increase/(decrease) |             | Equity<br>(Hedging reserve)<br>Increase/(decrease) |             |
|----------------------|---|-------------|--|-------------|--|-------------|
|                      | 2009<br>\$m                             | 2008<br>\$m | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m  | 2008<br>\$m |
| <b>Consolidated</b>  |   |             |  |             |  |             |
| US dollar +10%       | –                                       | –           | –  | 18.3        | <b>0.3</b>   | (0.1)       |
| US dollar –10%       | –                                       | –           | –  | (22.4)      | <b>(0.2)</b>                                       | 0.1         |
| Japanese yen +10%    | –                                       | –           | –  | –           | <b>0.2</b>   | (0.6)       |
| Japanese yen –10%    | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | 0.8         |
| Euro +10%            | –                                       | –           | –  | –           | <b>0.1</b>   | –           |
| Euro –10%            | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | –           |
| British pound +10%   | –                                       | –           | –  | –           | <b>0.1</b>   | –           |
| British pound –10%   | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | –           |
| <b>Parent Entity</b> |   |             |  |             |  |             |
| US dollar +10%       | –                                       | (3.0)       | –  | –           | <b>0.3</b>   | (0.1)       |
| US dollar –10%       | –                                       | 3.7         | –  | –           | <b>(0.2)</b>                                       | 0.1         |
| Japanese yen +10%    | –                                       | –           | –  | –           | <b>0.2</b>   | (0.6)       |
| Japanese yen –10%    | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | 0.8         |
| Euro +10%            | –                                       | –           | –  | –           | <b>0.1</b>   | –           |
| Euro –10%            | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | –           |
| British pound +10%   | –                                       | –           | –  | –           | <b>0.1</b>   | –           |
| British pound –10%   | –                                       | –           | –  | –           | <b>(0.1)</b>                                       | –           |

The movement in profit after tax for the Parent Entity results from the hedging instruments used to hedge net foreign investments. This amount is transferred to the foreign currency translation reserve on consolidation and hence there is no impact on profit for the consolidated entity. The movement in equity in the hedging reserve is due to an increase/decrease in the fair value of forward foreign exchange contracts designated as cash flow hedges.

**(g) Energy price risk management**

The consolidated entity is exposed to energy price risk associated with the purchase and/or sale of electricity, gas, environmental products and oil.

The consolidated entity's risk management policy for energy price risk is to hedge forecast future transactions for up to five years into the future.

The consolidated entity manages energy risk through an established risk management framework consisting of policies to place appropriate risk limits on overall energy market exposures and transaction limits for approved energy commodities, requirements for delegations of authority on trading, regular reporting of exposures and segregation of duties.

Exposures to fluctuations in the wholesale market electricity prices and the sales price of oil are managed through the use of various types of derivative financial instruments.

It is the policy of the consolidated entity to actively manage the electricity price exposure arising from both forecast electricity generation and retail customer electricity load. The consolidated entity enters into contracts on both the Sydney Futures Exchange and with individual market participants achieving a fixed price for specific volumes of electricity. This hedging portfolio consists predominantly of swaps and caps. Any unhedged position exposes the consolidated entity to the potential volatility of the regional spot prices in the Australian National Electricity Market.

The consolidated entity sold oil denominated in United States dollars to international markets based upon the Tapis crude oil spot price and hence was exposed to fluctuations in oil prices. Forward contracts were used by the consolidated entity to manage its oil price risk. The consolidated entity's policy was to hedge the sale of forecast oil production utilising a combination of swaps and options.

The following table details the fair value of electricity and oil derivatives outstanding as at reporting date:

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2009<br>\$m  | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Energy derivative financial assets – current</b>          |              |             |               |             |
| Electricity derivatives – cash flow hedges                   | 88.1         | 475.8       | –             | –           |
| Electricity derivatives – economic hedges                    | 269.8        | 721.5       | 30.4          | 42.1        |
| Oil derivatives – cash flow hedges                           | –            | –           | –             | 95.1        |
| Oil derivatives – economic hedges                            | –            | –           | –             | 152.4       |
|  | <b>357.9</b> | 1,197.3     | <b>30.4</b>   | 289.6       |
| <b>Energy derivative financial assets – non-current</b>      |              |             |               |             |
| Electricity derivatives – cash flow hedges                   | 74.0         | 343.3       | –             | –           |
|  | <b>74.0</b>  | 343.3       | –             | –           |
| <b>Energy derivative financial liabilities – current</b>     |              |             |               |             |
| Electricity derivatives – cash flow hedges                   | 78.0         | 6.7         | –             | –           |
| Electricity derivatives – economic hedges                    | 353.7        | 514.0       | 35.3          | 70.8        |
| Oil derivatives – cash flow hedges                           | –            | 95.1        | –             | 95.1        |
| Oil derivatives – economic hedges                            | –            | 152.4       | –             | 152.4       |
|  | <b>431.7</b> | 768.2       | <b>35.3</b>   | 318.3       |
| <b>Energy derivative financial liabilities – non-current</b> |              |             |               |             |
| Electricity derivatives – cash flow hedges                   | 48.4         | 12.5        | –             | –           |
|  | <b>48.4</b>  | 12.5        | –             | –           |

#### Electricity derivatives – cash flow hedges

Derivative financial instruments are used by the consolidated entity in the normal course of business in order to hedge exposure to fluctuations in electricity prices. The aggregate notional volumes of the outstanding electricity derivatives at 30 June 2009 were 80.4 million MWhs (2008: 92.3 million MWhs). Electricity derivatives are either designated in cash flow hedge relationships or remain non-designated.

The hedged anticipated electricity purchase and sale transactions are expected to occur continuously over the next five years from the reporting date consistent with the forecast demand from customers over this period.

The effective portion of changes in the fair value of electricity derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss deferred in equity will be transferred to profit or loss and included in cost of sales in each period in which the underlying purchase or sale transactions are recognised. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss as part of gain/(loss) in fair value of electricity derivatives.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that was deferred in equity is transferred immediately to profit and loss. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as originally forecast.

#### Electricity derivatives – economic hedges

The consolidated entity has entered into certain derivative instruments for economic hedging purposes under the Board-approved risk management policies, which do not satisfy the requirements for hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*. These derivatives are therefore required to be categorised as held for trading and are classified in the balance sheet as economic hedges. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss as part of gain/(loss) in fair value of electricity derivatives.

During the year a net fair value loss of \$298.7 million (2008: loss of \$266.4 million) was recognised in profit or loss by the consolidated entity and gain of \$23.1 million (2008: loss of \$11.6) was recognised by the Parent Entity.

#### Oil derivatives – cash flow hedges

Derivative financial instruments were used by the consolidated entity in the normal course of business in order to hedge exposure to fluctuations in oil prices. The aggregate notional volumes of the outstanding oil derivatives at 30 June 2009 were nil Mbbl (2008: 3.1 Mbbl).

In May 2008, the consolidated entity announced its intention to proceed with the sale of its PNG oil and gas assets and expected the sale to be completed by the end of December 2008. Oil derivative swaps were only designated in cash flow hedge relationships for anticipated oil sale transactions that were expected to occur up to 31 December 2008.

The effective portion of changes in the fair value of oil derivatives that were designated and qualified as cash flow hedges were recognised in equity in the hedging reserve. The gain or loss deferred in equity has been transferred to profit or loss and included in revenue from the sale of goods in each period in which the underlying sale transactions was recognised.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that was deferred in equity is transferred immediately to profit and loss. During the 2008 financial year, hedges maturing after 31 December 2008 were de-designated as the underlying forecast transactions were no longer expected to occur as originally forecast. Oil derivatives with a fair value loss of \$154.7 million at the date of de-designation was transferred from equity and recognised in profit and loss and included in other expenses.

**Note 56 – Financial instruments (continued)**

The following table details the movements in the hedging reserve from electricity and oil derivatives:

|  | Consolidated     |             | Parent Entity |             |
|--|------------------|-------------|---------------|-------------|
|  | 2009<br>\$m      | 2008<br>\$m | 2009<br>\$m   | 2008<br>\$m |
| <b>Hedging reserve</b>   |                  |             |               |             |
| Balance at beginning of financial year   | <b>522.1</b>     | 2,314.8     | –             | –           |
| Loss from cash flow hedges taken to equity                                     | <b>(1,192.5)</b> | (1,280.5)   | –             | –           |
| Loss/(gain) transferred to cost of sales                                       | <b>464.4</b>     | (1,508.3)   | –             | –           |
| Loss transferred to revenue from sale of goods                                 | <b>46.5</b>      | 62.5        | –             | –           |
| Loss transferred to other expenses   | –                | 154.7       | –             | –           |
| Loss transferred to foreign currency translation reserve                       | <b>2.7</b>       | –           | –             | –           |
| Income tax on items taken directly to or transferred from equity               | <b>184.3</b>     | 778.9       | –             | –           |
| Balance at end of financial year   | <b>27.5</b>      | 522.1       | –             | –           |
| Cash flow ineffectiveness (loss)/gain recognised immediately in profit or loss | <b>(4.0)</b>     | (7.2)       | –             | –           |

**Energy price sensitivity**

The following table details the sensitivity to a 10% increase or decrease in the relevant forward prices for both electricity and oil. A sensitivity of 10% has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in electricity and oil commodity prices.

At reporting date, if the relevant forward prices for both electricity and oil had been 10% higher or lower and all other variables were held constant, profit after tax and equity would have been affected as follows:

|                                | Profit after tax<br>Increase/(decrease) |             | Equity<br>(Hedging reserve)<br>Increase/(decrease) |             |
|--------------------------------|---|-------------|--|-------------|
|                                | 2009<br>\$m                             | 2008<br>\$m | 2009<br>\$m  | 2008<br>\$m |
| <b>Consolidated</b>            |   |             |  |             |
| Electricity forward price +10% | <b>74.8</b>                             | 62.4        | <b>133.8</b>                                       | 221.4       |
| Electricity forward price –10% | <b>(76.7)</b>                           | (63.2)      | <b>(131.7)</b>                                     | (220.7)     |
| Oil forward price +10%         | –                                       | (92.7)      | –  | (38.9)      |
| Oil forward price –10%         | –                                       | (64.6)      | –  | (27.0)      |
| <b>Parent Entity</b>           |   |             |  |             |
| Electricity forward price +10% | <b>(2.5)</b>                            | (5.1)       | –  | –           |
| Electricity forward price –10% | <b>2.5</b>                              | 5.1         | –  | –           |

The movement in profit after tax is mainly attributable to an increase/decrease in the fair value of certain energy derivative instruments which are economic hedges but do not satisfy the requirements for hedge accounting. The movement in equity is due to an increase/decrease in the fair value of energy hedging instruments designated as cash flow hedges.

**(h) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from the consolidated entity's financial assets, which comprise cash and cash equivalents, trade and other receivables, loans to associates and derivative financial instruments.

The consolidated entity manages its exposure to credit risk using credit risk management policies which provide credit exposure limits and contract maturity limits based on the credit worthiness of counterparties. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

Trade and other receivables consist of over 3.2 million residential, small business and large commercial and industrial customers, in New South Wales, Victoria, South Australia and Queensland. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance

for doubtful debts is raised. The consolidated entity does not have any significant credit risk exposure to any single customer or any group of customers. For further details regarding trade and other receivables, refer to Note 13.

Credit risk arising from transactions in money market instruments, foreign exchange derivative contracts and interest rate derivatives contracts with financial institutions is managed by Corporate Treasury in accordance with the Board-approved Treasury Policy. The consolidated entity limits its exposure to credit risk by investing surplus funds and entering into derivative financial instruments only with approved financial institutions that have a credit rating of at least A from Standard & Poor's and within credit limits assigned to each financial institution.

Credit risk arising from the use of derivative financial instruments to manage energy price risk is managed by Merchant Energy in accordance with the Board-approved Wholesale Energy Risk Management Policy. Derivative counterparties are limited to high creditworthy financial institutions and other organisations in the energy industry. Derivative counterparties are assigned approved credit limits and contract maturity limits based on independent credit ratings from Standard & Poor's, Fitch or Moody's where available, or otherwise by internal assessment and credit scoring based on published financial statements and market information for each counterparty.

As there are a limited number of energy organisations to enable management of energy price risk, there is limited scope for managing credit risk through diversification of counterparties. Any request for credit exposure limits or contract maturity limits above those assigned for a counterparty must be referred to the Board for approval. The credit worthiness of counterparties is closely monitored over the life of the transaction. Credit exposure and maturity exposure by individual counterparty are continuously monitored and reported on regularly.

The consolidated entity also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

At the reporting date, there was a significant concentration of credit risk with certain counterparties in relation to electricity derivatives undertaken in accordance with the consolidated entity's hedging and risk management activities.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets recorded in the financial statements.

#### (i) Liquidity risk management

The consolidated entity has an appropriate liquidity risk management framework for the management of short-, medium- and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 54(f) are details of undrawn financing facilities that the consolidated entity and the Parent Entity have access to at the reporting date.

The following tables detail the consolidated entity's and the Parent Entity's remaining contractual maturity for its non-derivative financial liabilities. The amounts disclosed in the tables are the contractual undiscounted principal and interest cash flows and therefore do not equate to the values shown in the table found in section (b) of this Note. For floating rate instruments, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

|   | Less than<br>6 months<br>\$m | 6–12<br>months<br>\$m | 1–2<br>years<br>\$m | 2–5<br>years<br>\$m | More than<br>5 years<br>\$m |
|---|------------------------------|-----------------------|---------------------|---------------------|-----------------------------|
| <b>Consolidated</b>                         |                              |                       |                     |                     |                             |
| <b>2009</b>                                 |                              |                       |                     |                     |                             |
| <b>Non-derivative financial liabilities</b> |                              |                       |                     |                     |                             |
| Trade and other payables                    | 800.8                        | –                     | 19.0                | –                   | –                           |
| Bank loans – unsecured                      | 21.1                         | 24.3                  | 55.2                | 1,147.4             | –                           |
| Finance lease liabilities                   | –                            | –                     | –                   | –                   | 178.4                       |
| Customer deposits                           | –                            | –                     | 3.0                 | –                   | –                           |
| Other loans                                 | –                            | –                     | 3.6                 | –                   | –                           |
|   | <b>821.9</b>                 | <b>24.3</b>           | <b>80.8</b>         | <b>1,147.4</b>      | <b>178.4</b>                |
| <b>2008</b>                                 |                              |                       |                     |                     |                             |
| <b>Non-derivative financial liabilities</b> |                              |                       |                     |                     |                             |
| Trade and other payables                    | 852.0                        | –                     | 38.2                | –                   | –                           |
| Bank loans – unsecured                      | 88.2                         | 88.7                  | 1,108.9             | 1,230.8             | –                           |
| Finance lease liabilities                   | –                            | –                     | –                   | –                   | 178.4                       |
| Customer deposits                           | –                            | –                     | 12.1                | –                   | –                           |
| Other loans                                 | –                            | –                     | –                   | 4.0                 | –                           |
|   | 940.2                        | 88.7                  | 1,159.2             | 1,234.8             | 178.4                       |
| <b>Parent Entity</b>                        |                              |                       |                     |                     |                             |
| <b>2009</b>                                 |                              |                       |                     |                     |                             |
| <b>Non-derivative financial liabilities</b> |                              |                       |                     |                     |                             |
| Trade and other payables                    | 41.0                         | –                     | –                   | –                   | –                           |
| Bank loans – unsecured                      | 21.1                         | 24.3                  | 55.2                | 1,147.4             | –                           |
|   | <b>62.1</b>                  | <b>24.3</b>           | <b>55.2</b>         | <b>1,147.4</b>      | <b>–</b>                    |
| <b>2008</b>                                 |                              |                       |                     |                     |                             |
| <b>Non-derivative financial liabilities</b> |                              |                       |                     |                     |                             |
| Trade and other payables                    | 40.0                         | –                     | –                   | –                   | –                           |
| Bank loans – unsecured                      | 88.2                         | 88.7                  | 1,108.9             | 1,230.8             | –                           |
| Customer deposits                           | –                            | –                     | 0.6                 | –                   | –                           |
|   | 128.2                        | 88.7                  | 1,109.5             | 1,230.8             | –                           |

The Parent Entity's remaining contractual maturity for its non-derivative financial liabilities disclosed in the table above excludes amounts due to subsidiaries.

**Note 56 – Financial instruments (continued)**

The following tables detail the consolidated entity's and the Parent Entity's liquidity analysis for its derivative financial instruments. The amounts disclosed in the tables are the undiscounted net

cash inflows/(outflows) on the derivative instruments that settle on a net basis. For interest rate swaps, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

|   | Less than<br>6 months<br>\$m | 6–12<br>months<br>\$m | 1–2<br>years<br>\$m | 2–5<br>years<br>\$m | More than<br>5 years<br>\$m |
|---|------------------------------|-----------------------|---------------------|---------------------|-----------------------------|
| <b>Consolidated</b>                     |                              |                       |                     |                     |                             |
| <b>2009</b>                             |                              |                       |                     |                     |                             |
| <b>Derivative financial instruments</b> |                              |                       |                     |                     |                             |
| Net settled                             |                              |                       |                     |                     |                             |
| – Interest rate swap contracts          | (18.6)                       | (4.4)                 | (7.0)               | (2.8)               | –                           |
| – Forward foreign exchange contracts    | –                            | (0.2)                 | (0.5)               | (0.4)               | –                           |
| – Electricity derivatives               | (136.1)                      | (29.2)                | (125.8)             | (78.8)              | (1.1)                       |
|   | <b>(154.7)</b>               | <b>(33.8)</b>         | <b>(133.3)</b>      | <b>(82.0)</b>       | <b>(1.1)</b>                |
| <b>2008</b>                             |                              |                       |                     |                     |                             |
| <b>Derivative financial instruments</b> |                              |                       |                     |                     |                             |
| Net settled                             |                              |                       |                     |                     |                             |
| – Forward foreign exchange contracts    | (1.0)                        | (1.2)                 | (0.3)               | –                   | –                           |
| – Electricity derivatives               | (185.5)                      | (97.8)                | (65.9)              | (65.4)              | –                           |
| – Oil derivatives                       | (70.8)                       | (58.6)                | (88.6)              | (22.5)              | –                           |
|   | <b>(257.3)</b>               | <b>(157.6)</b>        | <b>(154.8)</b>      | <b>(87.9)</b>       | <b>–</b>                    |
| <b>Parent Entity</b>                    |                              |                       |                     |                     |                             |
| <b>2009</b>                             |                              |                       |                     |                     |                             |
| <b>Derivative financial instruments</b> |                              |                       |                     |                     |                             |
| Net settled                             |                              |                       |                     |                     |                             |
| – Interest rate swap contracts          | (18.6)                       | (4.4)                 | (7.0)               | (2.8)               | –                           |
| – Forward foreign exchange contracts    | –                            | (0.2)                 | (0.5)               | (0.4)               | –                           |
| – Electricity contracts                 | (2.7)                        | (5.9)                 | (8.9)               | (17.8)              | –                           |
|   | <b>(21.3)</b>                | <b>(10.5)</b>         | <b>(16.4)</b>       | <b>(21.0)</b>       | <b>–</b>                    |
| <b>2008</b>                             |                              |                       |                     |                     |                             |
| <b>Derivative financial instruments</b> |                              |                       |                     |                     |                             |
| Net settled                             |                              |                       |                     |                     |                             |
| – Forward foreign exchange contracts    | (1.0)                        | (1.2)                 | (0.3)               | –                   | –                           |
| – Electricity contracts                 | (6.3)                        | (9.6)                 | (13.7)              | (41.2)              | –                           |
|   | <b>(7.3)</b>                 | <b>(10.8)</b>         | <b>(14.0)</b>       | <b>(41.2)</b>       | <b>–</b>                    |

#### (j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the reporting date.

The fair values of interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair values of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair values of energy commodity swaps are calculated using the present value of the estimated future cash flows using available market forward prices.

The fair values of energy commodity option contracts which are regularly traded are determined based on the most recent available transaction prices for the same instruments.

The fair values of energy commodity option contracts which are not regularly traded are calculated using the present value of the estimated future cash flows of these instruments.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, there are two key variables used:

- appropriate market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

For derivative instruments, both of these variables are taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

The carrying value of cash and cash equivalents approximate their fair value.

The carrying value of trade and other receivables (less allowance for doubtful debts) and trade payables approximate their fair values due to their short-term nature.

#### Note 57 – Subsequent events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods other than:

##### Renewable energy supply contract

On 30 July 2009, AGL announced that it has secured the energy supply contract for Victoria's new \$3.5 billion desalination plant to be constructed near Wonthaggi. The contract is for a term of 27 years with an annual requirement of up to 860 GWh of electricity and associated renewable energy certificates.

AGL has committed to the construction of the Oaklands Hill Wind Farm in south-west Victoria to add to its portfolio of renewable assets which will supply the desalination plant.

The Directors of AGL Energy Limited declare that the accompanying financial statements and the notes to the financial statements:

- (a) comply with accounting standards; and
- (b) give a true and fair view of the financial position and performance of the consolidated entity.

The Directors also declare that:

- (a) in their opinion, there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable;
- (b) in their opinion, the accompanying financial statements and the notes thereto are in accordance with the *Corporations Act 2001*;
- (c) in their opinion, there are reasonable grounds to believe that the Parent Entity and the subsidiaries identified in Note 46 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Class Order 98/1418; and
- (d) they have been given the declarations required by s.295A of the *Corporations Act 2001*.

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



Mark Johnson  
Chairman

Sydney, 20 August 2009

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# Deloitte.

## Report on the Financial Report

We have audited the accompanying financial report of AGL Energy Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 57 to 136.

## Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## Auditor's Independence Declaration

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

## Auditor's Opinion

In our opinion:

- (a) the financial report of AGL Energy Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of AGL Energy Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



G Coultas  
Partner  
Chartered Accountants  
Sydney, 20 August 2009

# Deloitte.

The Board of Directors  
AGL Energy Limited  
101 Miller Street  
North Sydney NSW 2060

20 August 2009

Dear Board Members

## AGL Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the audit of the financial statements of AGL Energy Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



G Couttas  
Partner  
Chartered Accountants  
Sydney, 20 August 2009

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A.B.N. 74 490 121 060  
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The following information is provided regarding the Issued Capital of AGL as at 11 August 2009:

1. The Issued Capital consisted of 447,536,000 fully-paid ordinary shares.
2. There were 109,646 holders of these ordinary shares.
3. There were 1,629 holders of less than a marketable parcel of 36 shares.

4. The distribution of holders was:

|                         | NO. OF HOLDERS | %          |
|-------------------------|----------------|------------|
| 1–1,000 shares          | 55,750         | 50.85      |
| 1,001–5,000 shares      | 45,420         | 41.42      |
| 5,001–10,000 shares     | 5,667          | 5.17       |
| 10,001–100,000 shares   | 2,709          | 2.47       |
| 100,001 shares and over | 100            | 0.09       |
|                         | <b>109,646</b> | <b>100</b> |

5. The location of holders was:

| LOCATION       | NO. OF HOLDERS | %          | NO. OF SHARES      | %          |
|----------------|----------------|------------|--------------------|------------|
| Australia      | 106,022        | 96.69      | 439,543,776        | 98.22      |
| USA and Canada | 489            | 0.45       | 407,655            | 0.09       |
| United Kingdom | 335            | 0.30       | 349,806            | 0.08       |
| New Zealand    | 2,585          | 2.36       | 6,820,942          | 1.52       |
| Other          | 215            | 0.20       | 413,821            | 0.09       |
|                | <b>109,646</b> | <b>100</b> | <b>447,536,000</b> | <b>100</b> |

6. The class of holders was:

| CLASS OF HOLDER     | NO. OF HOLDERS | %          | NO. OF SHARES      | %          |
|---------------------|----------------|------------|--------------------|------------|
| Individuals         | 60,498         | 55.18      | 106,297,461        | 23.75      |
| Companies and other | 49,148         | 44.82      | 341,238,539        | 76.25      |
|                     | <b>109,646</b> | <b>100</b> | <b>447,536,000</b> | <b>100</b> |

7. The twenty largest holders held 47.34% of the Issued Capital:

| TWENTY LARGEST HOLDERS AS AT 11 AUGUST 2009                | FULLY-PAID<br>ORDINARY<br>SHARES | % OF TOTAL<br>ISSUED<br>SHARES |
|--|----------------------------------|--------------------------------|
| HSBC Custody Nominees (Australia) Limited                  | 53,832,847                       | 12.03                          |
| J P Morgan Nominees Australia Limited                      | 47,356,083                       | 10.58                          |
| National Nominees Limited                                  | 43,190,929                       | 9.65                           |
| Citicorp Nominees Pty Limited                              | 16,148,338                       | 3.61                           |
| ANZ Nominees Limited                                       | 11,323,506                       | 2.53                           |
| Cogent Nominees Pty Limited                                | 6,121,854                        | 1.37                           |
| AMP Life Limited   | 4,918,676                        | 1.10                           |
| Australian Foundation Investment Company Limited           | 4,286,991                        | 0.96                           |
| Queensland Investment Corporation                          | 3,454,801                        | 0.77                           |
| RBC Dexia Investor Services Australia Nominees Pty Limited | 3,425,626                        | 0.76                           |
| UBS Wealth Management Australia Nominees Pty Ltd           | 2,898,763                        | 0.65                           |
| Bond Street Custodians Limited                             | 2,841,949                        | 0.64                           |
| Argo Investments Limited                                   | 2,453,787                        | 0.55                           |
| Custodial Services Limited                                 | 1,652,255                        | 0.37                           |
| Questor Financial Services Limited                         | 1,491,941                        | 0.33                           |
| Australian Reward Investment                               | 1,320,548                        | 0.30                           |
| BT Portfolio Services Limited (WA)                         | 1,307,020                        | 0.29                           |
| Credit Suisse Securities (Europe) Ltd                      | 1,300,000                        | 0.29                           |
| Milton Corporation Limited                                 | 1,272,200                        | 0.28                           |
| Gwynvill Investments Pty Limited                           | 1,263,150                        | 0.28                           |
|  | <b>211,861,264</b>               | <b>47.34</b>                   |

**Share Registry**

Shareholders with enquiries about their shareholdings are invited to contact AGL's Share Registry as follows:

AGL Share Registry  
Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

(Postal Address: Locked Bag A14, Sydney South NSW 1235)

**Telephone:** 1800 824 513 (within Australia)  
+61 2 8280 7115 (International)

**Facsimile:** 02 9287 0303 (within Australia)  
+61 2 9287 0303 (International)

**Email:** [aglenergy@linkmarketservices.com.au](mailto:aglenergy@linkmarketservices.com.au)

**Website:** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

When communicating with the Share Registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

**The final dividend**

The final dividend of 28.0 cents per share, 100% franked, will be paid on Wednesday, 30 September 2009. Shareholders may nominate a bank, building society or credit union account within Australia for the payment of dividends for direct credit. Payments are electronically credited on the dividend payment date and confirmed by a mailed or electronic payment advice. Payment instructions can be lodged online or an appropriate form can be downloaded from the Share Registry's website.

**AGL website**

The AGL website address is [www.agl.com.au](http://www.agl.com.au). Through the Investor Centre you may access your shareholdings using the link of the same name. You can also check the share price and graphs, check your current holding balances, download a variety of instruction forms, subscribe to email announcements and elect to receive electronic dividend statements.

**Reporting to Shareholders**

Recent changes to the Corporations Act mean that AGL need only provide Shareholders with access to this Annual Report on AGL's website, unless they have specifically requested to be sent a printed or electronic copy. Shareholders seeking a copy of the Annual Report should subscribe online or contact the Share Registry. The Annual Report is also available on the AGL website.

**Change of name, address or banking details**

Shareholders who are Issuer Sponsored should advise the Share Registry immediately of a change of name, address or banking details for dividends electronically credited to a bank account. All such changes must be advised online or in writing and cannot be accepted by telephone. For a change of name, supporting documentation must accompany your written advice. Appropriate forms can also be downloaded from the Share Registry's website.

Shareholders who are CHESS Sponsored should instruct their sponsoring broker in writing to notify the Share Registry of any change.

**Tax File Number (TFN)/Australian Business Number (ABN)**

It is not compulsory to provide a TFN or ABN. However, AGL will be required to deduct tax at the top marginal rate from the unfranked portion of any dividend paid to Shareholders who have not provided either a TFN/ABN or details of a relevant TFN exemption. TFN/ABN notification forms can be obtained by contacting the Share Registry, by lodging your details online or by downloading the appropriate form from the Share Registry's website.

**Consolidation of shareholdings**

Shareholders who wish to consolidate multiple shareholdings into a single shareholding should advise the Share Registry or their sponsoring broker, whichever is applicable, in writing.

**Registered Office**

AGL Energy Limited,  
Level 22, 101 Miller Street,  
North Sydney NSW 2060

**Telephone** 02 9921 2999 (within Australia)  
+61 2 9921 2999 (International)

**Company Secretary**

Paul McWilliams BA (Accounting), MAPFin, ACA

## AGL Energy Limited

### Registered office

Level 22, 101 Miller Street  
North Sydney NSW 2060

Locked Bag 1837  
St Leonards NSW 2060

Telephone: 02 9921 2999

Facsimile: 02 9921 2552

Website: [www.agl.com.au](http://www.agl.com.au)

## Energy measurements

### Gas energy units

The basic unit of energy used in the gas industry is a joule.

|                  |                         |
|------------------|-------------------------|
| 1 megajoule (MJ) | = 1 million joules      |
| 1 gigajoule (GJ) | = 1 thousand megajoules |
| 1 terajoule (TJ) | = 1 million megajoules  |
| 1 petajoule (PJ) | = 1 billion megajoules  |

### Electricity energy units

The basic unit of energy used in the electricity industry is a watt hour.

|                       |                             |
|-----------------------|-----------------------------|
| 1 kilowatt hour (kWh) | = 1 thousand watt hours     |
| 1 megawatt hour (MWh) | = 1 thousand kilowatt hours |
| 1 gigawatt hour (GWh) | = 1 thousand megawatt hours |

It takes approximately one megajoule to boil enough hot water for 14 cups of tea.

It takes approximately 300 watt hours to boil enough hot water for 14 cups of tea.

Conversion from electricity (kilowatt hours) to gas (megajoules): 1 kilowatt hour = 3.6 megajoules.

## About this report

The inside pages of this report are printed on Envi, Australia's first carbon-neutral paper. Envi is also the first paper stock in Australia to carry the Federal Government's Greenhouse Friendly certification, and is the stock of choice for all AGL customer communications.

All inks and varnishes used to print it have a vegetable oil base (such as linseed oil and soy oil) obtained from non-genetically modified plants and trees.

It was designed by Precinct and printed by Blue Star Print Group.