AGL Energy Limited
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Energy in action.®

ASX statement

24 September 2009

AGL Energy Limited is about to commence dispatch of its Annual Report 2009 and the Notice of Meeting in respect of the Annual General Meeting to be held on 29 October 2009. A copy of each of these documents has been lodged with the ASX today.

Paul McWilliams

Company Secretary

Energy in action.®

AGL Annual Report 2009

AGL is Australia's largest integrated renewable energy company. We are using this base to build a sustainable energy future for our customers, our investors and the communities in which we operate.

AGL is Australia's largest private owner, operator and developer of renewable generation assets. AGL also operates Retail and Merchant Energy businesses and has over three million customer accounts.

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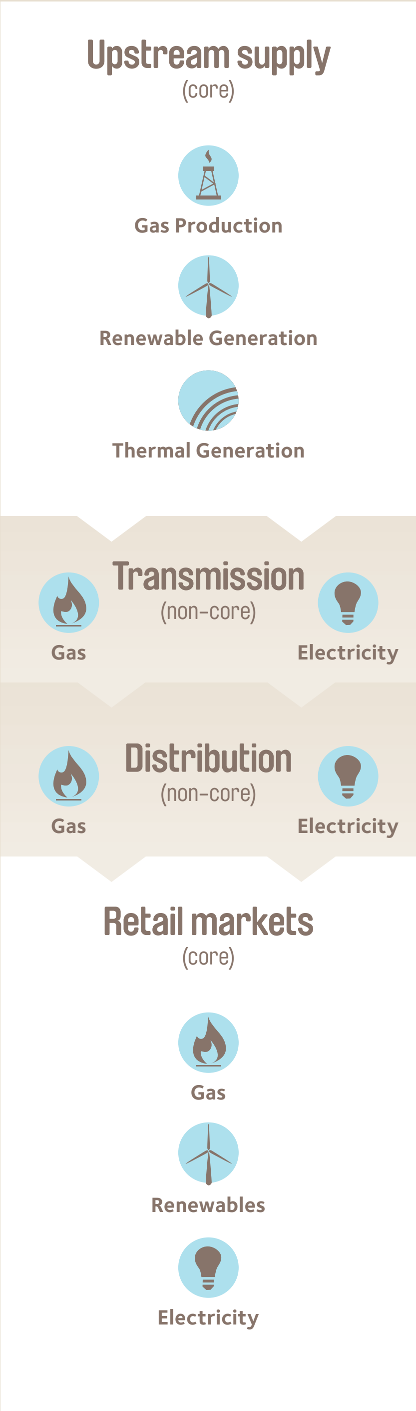
Annual General Meeting
AGL's Annual General Meeting will be held at the Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Melbourne commencing at 10.30am on Thursday, 29 October 2009.

Front cover
AGL employee Jaime Clarke at the 94.5 MW Hallett Wind Farm in South Australia. Jaime was voted Spot Trader of the Year by Energy Bank Link in 2007 and 2008.

AGL's integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and our customers' demand for energy.

Upstream supply

- Increase direct ownership of gas to 2,000 PJ (2P) over the medium term.
- Increase ownership or control of electricity generation capacity to 6,000 MW.
- Maintain our position as Australia's largest private owner and operator of renewable energy assets by continuing to develop our existing pipeline of projects.



Customer energy demand

- Focus on managing and growing margins.
- Use our customer base to leverage our upstream supply strategy to achieve economies of scale.
- Use the benefits from our Project Phoenix to provide our customers with better options for managing their energy needs.

AGL is Australia's largest integrated renewable energy company. We have major investments in the supply of gas and electricity, as well as a substantial base of retail customers.

Retail Energy

The Retail Energy group is responsible for the sale and marketing of gas, electricity and related customer services.

Merchant Energy

The Merchant Energy group is responsible for developing, operating and maintaining AGL's power generation assets, assisting our major customers to prepare for a carbon constrained future, and managing the risks associated with the procurement and delivery of gas and electricity for AGL's wholesale and retail energy portfolios.

Upstream Gas

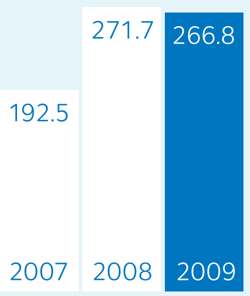
The Upstream Gas group is responsible for building on AGL's emerging positions in new coal seam gas and geothermal developments.

AGL's Retail Energy and Merchant Energy businesses produced strong operating EBIT results in difficult market conditions.

$266.8m

Retail Energy

Operating EBIT
($million)

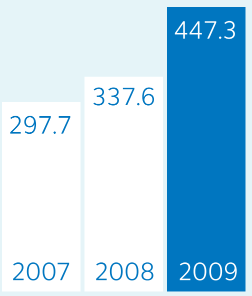


- Gross margin up $48.5 million from increased tariffs and a focus on higher margin customers in both mass market and commercial and industrial customer segments.
- Increase of $40.5 million in operating expenses mainly due to process and billing issues relating to transfer of customers to AGL's new billing platform.
- Process and system performance problems now resolved and the Phoenix change program now scheduled for completion by December 2009.

$447.3m

Merchant Energy

Operating EBIT
($million)

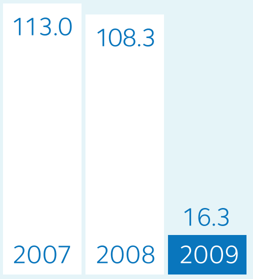


- Strong performance across entire business segment.
- Wholesale electricity, gas and eco-markets energy procurement costs well managed in difficult market.
- Fees from AGL's wind farm developments continued to provide strong returns with contribution up $14.6 million to $54.6 million.

$16.3m

Upstream Gas

Operating EBIT
($million)



- With the sale of AGL's investments in Papua New Guinea, Upstream Gas largely sold its operating EBIT base.
- PNG sales proceeds partly used to acquire strategically important New South Wales gas assets by purchasing projects in the Gloucester and Sydney basins in close proximity to one of our major retail markets.
- Certified 2P gas reserves at 30 June 2009 up to 1,056 PJ.

AGL achieved another year of growth in 2009, delivering on our commitment to Shareholders.

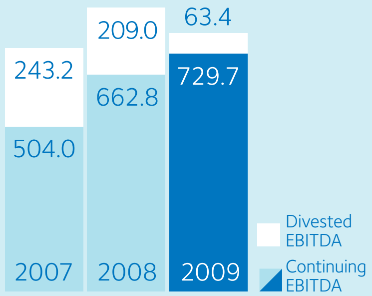
$378.8m

Underlying net profit after tax +11.1% from 2008

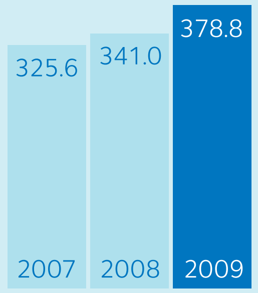
54 cents

Fully franked full year dividend +1.9% from 2008

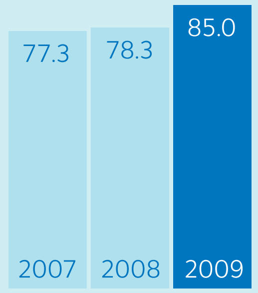
Operating EBITDA
($million)



Underlying NPAT
($million)



EPS – underlying
(cents)



	30 June 2009 $m	30 June 2008 $m	30 June 2007 $m
Profit after tax from continuing operations	718.2	316.3	354.2
Profit/(Loss) after tax from discontinued operations	877.9	(87.3)	56.3
Profit after tax attributable to Shareholders	1,596.1	229.0	410.5
Adjust for the following after tax items:			
Assume demerger occurred 1 July 2006	–	–	116.9
Significant items	(1441.3)	(62.6)	85.9
Changes in fair value of financial instruments	251.0	184.6	(287.7)
Pro forma adjustment	(27.0)	(10.0)	–
Underlying net profit after tax	378.8	341.0	325.6
Increase in underlying net profit after tax	11.1%	4.7%	–

By focusing on our core integrated strategy, AGL finished the year stronger than at the start.

2008

July
Geothermal Alliance with, and cornerstone investment in, Torrens Energy

Acquisition of Australian wind farm development portfolio from Allco

Investment in Galilee Basin coal seam gas production pilot and exploration

August
FY2008 results confirm AGL delivers on guidance and strategy in 2008

Fully franked dividend of 27 cents per share declared

October
Sale of 50% stake in Elgas for $221 million

November
Sale of shares in Queensland Gas Company for $1.18 billion

Acquisition of gas bank and minority interest from Tri-Star

Completion of transfer of retail customers to new SAP billing platform

December
Acquisition of wind farm development projects from Investec

Acquisition of Gloucester Basin coal seam gas assets

Sale of Papua New Guinea oil and gas assets for $1.127 billion

2009

January
Acquisition of interests in Cooper Basin permits from Innamincka Petroleum

February
Strong half-year result announced. Fully franked dividend of 26 cents per share declared

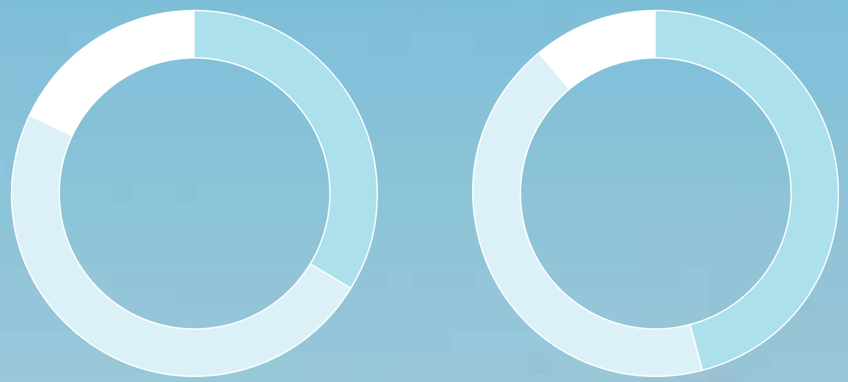
March
Agrees to construct 132 MW Hallett 4 Wind Farm

Completed takeover of Sydney Gas Limited

June
Refinances $800 million of debt

Renewable energy accounts for about 34% of AGL's total generation capacity.

AGL's current generation breakdown compared to future generation target



Current generation breakdown ~3,940 MW*

- Renewable 34%
- Gas 48%
- Coal 18%

Future generation target ~6,000 MW

- Renewable 46%
- Gas 43%
- Coal 11%

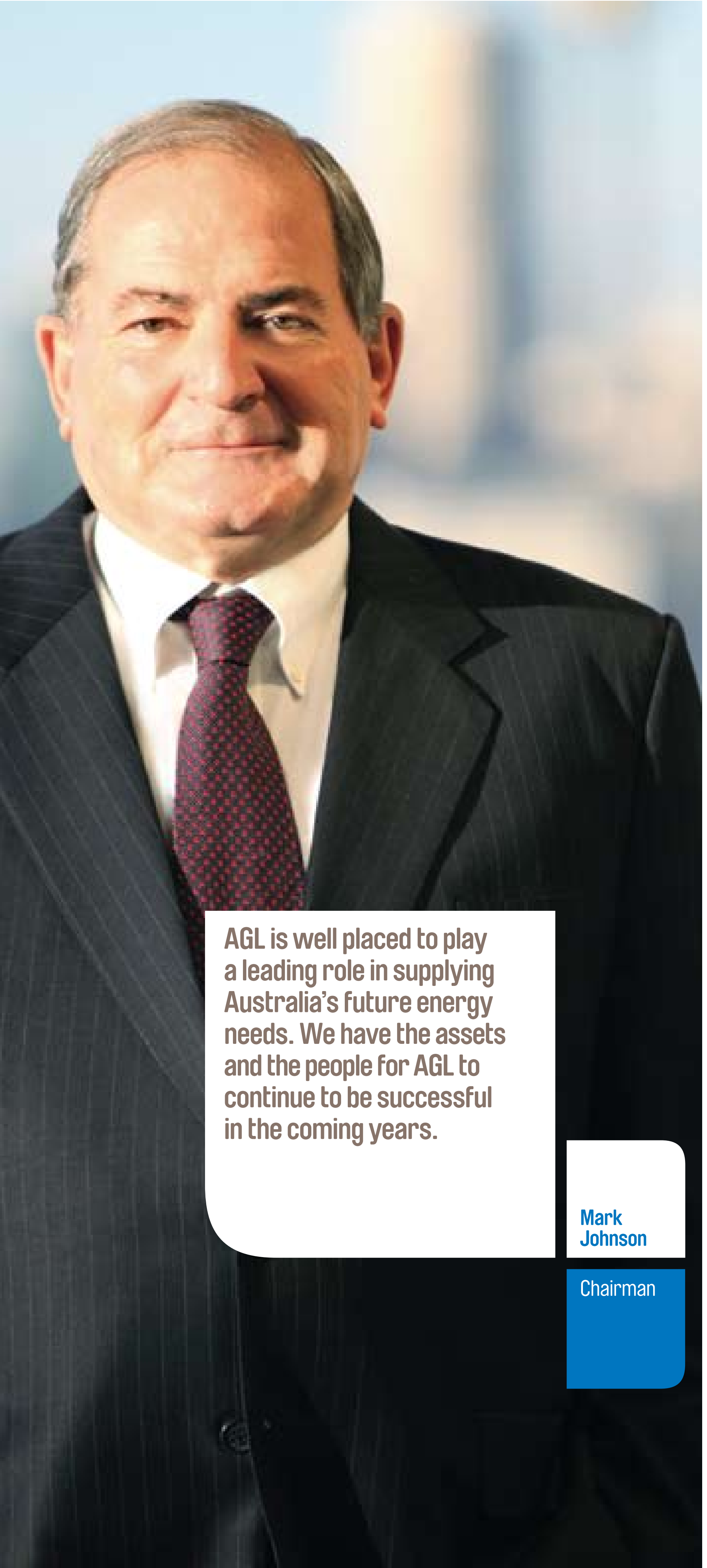
AGL, Australia's largest private owner, operator and developer of renewable energy generation, has used its first mover advantage to develop up to 2,000 MW of renewable energy opportunities. The value of AGL's renewable energy portfolio will grow strongly in a carbon constrained future.

* Includes plant under construction.

AGL is committed to reducing the greenhouse intensity of the energy we supply to our customers by investing in renewable energy projects such as the landmark 140 MW Bogong Hydro-Electric Power Station in Victoria's high country, the biggest hydro-electric project on mainland Australia in 25 years.

Once completed, the Bogong Hydro-Electric Power Station will abate about 88,000 tonnes of greenhouse gas emissions each year.

Bogong Hydro-Electric Power Station



AGL is well placed to play a leading role in supplying Australia's future energy needs. We have the assets and the people for AGL to continue to be successful in the coming years.

Mark Johnson

Chairman

Strategy and capital management

AGL must have a strong balance sheet and an investment grade credit rating to operate efficiently in national energy markets. Financial strength was important last year and has continued to be so this year. Apart from the effects of higher interest rate margins on the cost of borrowing, AGL has been little affected by conditions in financial markets.

Financial results for the year were in line with guidance we gave to the market in December 2008 and we have increased the annual dividend payment to shareholders by one cent per share.

AGL has completed the program of selling assets considered not to be central to the development of our strategy in Australia, realising approximately $3.2 billion. These sales proceeds have been used partly to reduce debt levels and partly to invest in new assets to support our strategic objectives. With its low debt levels, AGL is in a strong position to take advantage of opportunities we expect to emerge as the economy strengthens and as changes occur in national energy markets.

The assets we acquired include holdings in coal seam gas reserves, with the purchase of a gas exploration licence in the Gloucester Basin in the central east coast of New South Wales and the successful takeover of Sydney Gas Limited. AGL now has control of significant certified gas reserves and exploration acreage in New South Wales, which we expect will provide long-term gas supply to service our core gas markets in Sydney and Newcastle. A work program is in progress to further 'prove up' and develop these gas reserves, and the other interests we have in gas projects in the Bowen, Eramanga and Galilee Basins in Queensland.

We also expanded our renewable energy assets. Construction of the 140 MW hydro generation plant at Bogong has now been completed and the plant will be officially opened in November. The 71 MW Hallett Stage 2 Wind Farm in South Australia is nearing completion and will be fully operational later this year and, since the end of 2008/2009, we have committed to the construction of a new wind farm at Oaklands Hill in western Victoria. AGL is the largest private owner of renewable energy assets in Australia.

Serving our customers

During the year, AGL introduced a new SAP billing system to replace eight major outdated legacy billing systems. The new billing system will allow AGL to provide enhanced customer service levels. This conversion process has taken longer than we had hoped, as the limitations of the legacy systems were deep and complex.

Many of our customers experienced unacceptable delays in receiving bills and, as a consequence, we received an increased number of complaints. Some enquiries to the Company did not receive the standard of service that our customers should expect. AGL has been very concerned by these problems. The billing delays have now been resolved and service levels restored but this has resulted in a six month delay in AGL realising the full benefits from the new billing system. On behalf of the Board and all of AGL's employees, I apologise for the inconvenience and frustration we have caused many of our customers.

AGL's goal is to provide excellent standards of service to our customers. We still have much work ahead of us to achieve this goal. The investment we have made in our new systems was a necessary and important first step in allowing us to know more about our customers' needs, and to improve our levels of customer service.

Australian energy markets are among the most competitive in the world, with more than 10% of consumers changing suppliers in nearly all the markets in which AGL operates. AGL's churn rate for the year was lower than the industry average and, even with the billing issues we faced, we maintained our share of market and increased average margin earned for each mass market customer.

The new billing system will enable AGL to build on this position and develop new market opportunities. The insights about our customers and their energy needs will allow us to tailor product offerings and increase retention rates for our higher value customers. We will also be able to direct promotional activities to attract new high value customers.

Energy policy

AGL has itself been frustrated by the uncertainty surrounding government policy on energy. A prime example has been the many years of delay in privatising the New South Wales Government's electricity businesses, which has simply taken too long. Although ultimately successful, our efforts to gain planning approval for our proposed gas fired power plant at Leafs Gully in south-western Sydney were hindered by the drawn out approvals process in New South Wales. At a Federal level, delays to legislation for the implementation of the Carbon Pollution Reduction Scheme (CPRS) have contributed to investment uncertainty for business.

AGL supports the implementation of both the CPRS and the increased targets for the proportion of Australia's total energy needs to be obtained from renewable energy sources. These are the critical elements in reducing Australia's carbon emissions. The continued uncertainty about the implementation of the CPRS means delay in investment decisions and financing decisions. The existing energy infrastructure is stretched and huge new investment is needed for a carbon constrained future. The delay in implementing the CPRS is creating a risky supply situation for all energy users.

Your Board

Two new non-executive Directors were appointed during the year and two long-serving Directors retired from the Board.

Les Hosking was appointed as a non-executive Director in November last year. Les has more than 30 years' experience in electricity and in financial markets. He was previously Managing Director of the National Electricity Market Management Company (NEMMCO) and, before that, Chief Executive Officer of the Sydney Futures Exchange Limited.

John Stanhope joined the Board as a non-executive Director in March 2009. John's career with Telstra spans more than 40 years and has given him extensive experience in finance, corporate strategy, risk management, and systems development to support large customer bases.

Both Les and John have expertise in managing risks in complex operating environments. Both have been appointed to AGL's Board Audit and Risk Management Committee.

Carolyn Hewson AO retired from the Board in February 2009 after serving for more than 12 years, while Graham Reaney will retire from the Board at this Annual General Meeting, having served as a Director for more than 21 years. Carolyn and Graham have served the Board with hard work and clear thinking during AGL's transformation into Australia's largest integrated renewable energy company. They have served Shareholders' interests well and, on behalf of all Shareholders, I thank both Carolyn and Graham for their substantial contributions to AGL.

What lies ahead

Australian energy markets remain dynamic. Very substantial new investment will be required over the next several years to maintain security of energy supply to domestic and industrial consumers while achieving Australia's carbon reduction targets. The global financial crisis has added a new dimension, with the cost of capital likely to increase for all participants in the energy industry. The private sector will only invest if investment returns are positive and the long-term outlook is clear. The Federal and State Governments must set the framework for the private sector to invest with confidence, and allow end-user energy prices to truly reflect the costs and risks faced by energy companies.

AGL is preparing for a new energy world. The CPRS and expanded renewable energy targets will reduce reliance on carbon-based fuels across the economy, but will force prices up. New technologies are likely to emerge which will change the way in which energy is produced and delivered to our customers. AGL is looking forward to the challenges and opportunities these changes will bring. We are working with our customers to help them use energy more efficiently so they buy less energy from us. We are building our skills base in other areas, such as geothermal and solar technology and customer profiling, so AGL can continue to play a leading role in the evolution of Australian energy markets in the years to come.

Michael Fraser, AGL's Managing Director, and all AGL's employees deserve recognition for their hard work and achievements over the last year. AGL has performed strongly in a difficult environment and is now well placed to play a leading role in supplying Australia's future energy needs.

Your Company has a strong balance sheet, with many good assets and low debt levels. It has a clear strategy which has been in place for several years. This strategy has been resilient in difficult economic circumstances and flexible in meeting the needs of a dynamic industry. Pursuing our goal of delivering excellent levels of customer service has the highest priority.

Processes and disciplines are in place to direct capital only to investments which should enhance and grow long-term Shareholder value. Your Board will continue to tell you honestly and directly how your Company is doing.

Mark Johnson
Chairman

$3.2 billion

The proceeds from our program of assets sales have been used to reduce debt levels and to invest in new assets consistent with our strategic objectives.

This has been a particularly busy and productive period for AGL. The business is performing well, we have strengthened our balance sheet and we are continuing to implement our integrated energy company strategy.

Michael Fraser

Managing Director

This year, AGL delivered on its upgraded earnings guidance and continued to provide healthy dividends to Shareholders. We have built a strong balance sheet by divesting non-core assets and focusing on our core strategy. We are now well placed to build on our position as Australia's largest integrated renewable energy company.

Legislation to expand the renewable energy target – to require that 20% of Australia's energy needs be met from renewable energy sources by 2020 – has now been enacted. To meet the expanded renewable energy targets, Australian energy companies will need to make substantial investments in new renewable energy assets over the next decade. The steps AGL has taken over the last few years to secure the best development opportunities provide us with a strong platform for growth.

In my report last year, I paid tribute to the efforts of our employees in working hard to help steady the business after a period of internal turmoil. I again thank all our employees for continuing to work hard to deliver the strong financial results we achieved this year. It was a particularly busy and challenging year in which many employees delivered above and beyond what would normally be expected.

2008/2009 in review

Our focus this year was to ensure the business was in the best possible shape to pursue our integrated strategy. We completed our asset divestment program and made significant reductions in our total debt levels. We also acquired some new assets consistent with the continued development of our long-term strategy.

Our underlying profit after tax increased by 11% to $378.8 million, which was at the top of the range of our upgraded earnings forecast of $352–$382 million. This has been a commendable achievement against the backdrop of a weaker economy which has seen many companies report lower earnings and declare reduced dividends.

AGL finished the year with a strong balance sheet following the completion of a $3.2 billion worth of non-core assets sale program. We deployed some of these sale proceeds into growth areas through new commitments such as the decision to build the AGL Hallett 4 Wind Farm in South Australia, the acquisition of the Gloucester coal seam gas (CSG) reserves and the takeover of Sydney Gas Limited.

We successfully refinanced $800 million in debt and now have no debt due until 2011/2012. The ratings agency Standard & Poor's reaffirmed our BBB credit rating and returned our outlook to Stable.

Two new appointments were made to AGL's Executive Team: Ken Hodgson became Group General Manager Retail Energy and Paul Simshauser became Chief Economist and Group Head of Corporate Affairs.

The business units

The Merchant business performed strongly through the year.

Our integrated generation portfolio provided strong returns and showed the benefits of diversity of geographic location, fuel source, and generation type. This diversity mitigates our exposure to both market risks and operating risks, and provides a platform for growth in a carbon constrained future.

Through our new Carbon Management Services team, we worked with our major commercial and industrial customers to help them manage their own carbon footprints and to prepare them for more onerous reporting on carbon emissions and higher future energy costs.

Upstream Gas was formed as a stand-alone business unit to focus on meeting our target of acquiring 2,000 PJ of equity gas in the medium term. The acquisitions during the year of coal seam gas reserves in the Gloucester Basin and the successful takeover of Sydney Gas Limited have put us well on the way to achieving that target. Those acquisitions also provide AGL with 100% control of nearly all reserves of coal seam gas around our key Newcastle and Sydney markets in New South Wales. Any other gas competing with us in these markets must be transported far greater distances.

Our Retail Energy business finished the year strongly following implementation of the Project Phoenix change program, which integrated a number of legacy billing systems onto a single SAP platform. While there was a regrettable downside to the project which saw some customers experience delays in receiving energy bills, we head into the new year confident that we have fixed those issues. Our focus now is on delivering the promised benefits of the program to the business and on improving customer service for our 3.2 million account holders.

Valuing our people

Employee engagement is a key indicator of how our people are feeling about the organisation and I am very pleased to report that AGL's overall engagement score was up by more than 10% on the previous year. It was also satisfying to see that more than 85% of our people took the time to respond to the survey. This improvement is a result of our hard work to improve the basics of how we work together and manage the business. It reflects the success of internal programs including the new face-to-face 'Welcome to AGL Day', the reintroduction of service awards, ongoing leadership and career development programs, and giving people better tools with which to perform their jobs.

We also achieved a 30% decrease in our Lost Time Injury Frequency Rate (LTIFR), from 3.6 to 2.5, reflecting the importance we attach to ongoing employee safety.

Regulated pricing

Industry profitability is going to be a key driver of future energy development in Australia as governments continue to look to the private sector to fund the heavy investment required to meet future energy infrastructure requirements. To attract that investment, there needs to be clear evidence that rates of return to investors are adequate. That return can only be guaranteed by appropriate pricing mechanisms in the marketplace.

During the year, we saw important signs that regulators and governments were beginning to acknowledge the reality that retail energy prices need to reflect the true costs faced by retailers. Significant tariff increases from 1 July 2009 in New South Wales for electricity and gas, and for electricity in Queensland following our successful court action there against the Queensland Competition Authority (QCA), were positive outcomes in the critical area of regulated retail pricing.

To illustrate the importance of this issue, it's worth noting that before the 1 July tariff increase, New South Wales had the second lowest retail electricity prices in the developed world behind South Africa, meaning there was little or no profit margin for retailers in the State's energy market. Without an uplift in retail prices, there would be scant interest from the private sector in investing in the State's future energy needs.

Conclusion

The strengthening of the balance sheet through the non-core asset sales program has positioned AGL for growth at an important time. In 2009/2010, we expect to learn more detail about the New South Wales Government's proposed electricity privatisation program, which is likely to be a good fit with our business growth strategy. We will also continue to develop our portfolio of renewable and low-emission generation projects and to 'prove up' gas reserves in New South Wales and Queensland.

Commissioning of the Hallett 2 Wind Farm in South Australia has already commenced, and the landmark 140 MW Bogong Hydro-Electric Power Station will be formally commissioned in November. Construction of the Hallett 4 Wind Farm will continue. Since 30 June, we have committed to the construction of a 67 MW wind farm at Oaklands Hill in Victoria and we are likely to commit to at least one more wind farm before the end of 2009. We finished the year with a strong Balance Sheet, with plenty of development growth opportunities to pursue.

AGL has performed strongly in a difficult environment. We have the skilled people, the asset base and the financial strength to play a leading role in contributing to Australia's future energy needs in a low-carbon environment.

Michael Fraser
Managing Director

2.5 LTIFR

Our Lost Time Injury Frequency Rate (LTIFR) fell by 30%, reflecting the ongoing importance we attach to employee safety.

Sound management of the social, environmental and economic challenges and opportunities that arise from our activities is central to the overall success and long-term value of our business.

Sustainability
At AGL, 'sustainability' is about recognising that if we want our business to be here, successful and respected, in the next 10, 20, 50 or 100 years, we need to do the right thing by our Shareholders, our employees, our customers and the broader community, and the environment.

A key part of our approach to sustainability is the reporting of sustainability key performance indicators (KPIs) to the AGL Executive Team and the Board Safety, Sustainability and Corporate Responsibility Committee each quarter. The KPIs allow AGL to measure and benchmark the sustainability of business performance, identify focus areas and improvement opportunities, establish targets and tolerances, and further embed sustainability as part of core business.

Communicating our sustainability performance
AGL publishes detailed sustainability performance data within an annual online Sustainability Report. Together, the Sustainability Report and the 2009 Annual Report provide the full account of AGL's performance for the period.

AGL's Sustainability Report is independently assured to the AA1000 Assurance Standard so that our stakeholders can be confident that the report is an accurate and balanced account of our performance.

AGL's 2009 Sustainability Report will be available online at www.aglsustainability.com.au from November 2009.

How we measure up

AGL's sustainability performance and disclosure are now recognised externally as examples of Australian best practice.

Carbon Disclosure Project
In April 2009, AGL's carbon disclosure was ranked third in the world out of 110 of the world's largest publicly listed electric utilities. AGL has also earned a place in the ASX100/NZ50 2008 Climate Disclosure Leadership Index, and a leading ranking in the Australian and New Zealand utilities sector.

Dow Jones Sustainability Index
AGL is a constituent company in the Asia Pacific Dow Jones Sustainability Index (DJSI Asia Pacific) 2008/2009, which tracks the top 20% (in terms of sustainability performance) of the 600 largest companies in the developed Asia Pacific markets.

Ethical Investor
At the Ethical Investor Annual Sustainability Awards in December 2008, AGL was the winner of the Special Award for the Environment. The award acknowledges AGL's strategic response to climate change, and AGL's disclosure record in relation to greenhouse gas emissions. AGL was also a finalist for the Ethical Investor Special Award for Corporate Governance and for the 2008 Sustainable Company of the Year. AGL was independently nominated for these awards.

We have been selected to be a part of the international FTSE4Good Index, and have been at the forefront of our industry in Australia in the leading Carbon and Sustainability Indexes for the past three years.

FTSE4Good
AGL is a constituent company in the FTSE4Good Index Series. The FTSE4Good Index Series measures the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in these companies.

AGL is continuing toward its goal of being a world-class energy company. We want to provide our customers with the energy products they need at competitive prices and the best service.

AGL has now completed one of the most comprehensive IT transformations ever undertaken by any energy company anywhere in the world.

AGL is committed to building a truly customer focused organisation.

A message to our retail customers

In late 2008, AGL completed one of the most comprehensive IT transformations ever undertaken by any energy company anywhere in the world.

This four-year undertaking, named Project Phoenix, involved transferring more than three million customer accounts onto a single billing platform (SAP).

Having a single billing platform will give us more complete information about our customers and allow us to offer energy products and services better suited to their individual needs. It will also give us a lower cost to serve, which will allow us to invest in attracting new customers while maintaining the profit margins necessary to generate adequate returns for our Shareholders.

Regrettably, for a few months following completion of the customer transfers, a number of our customers experienced delays in receiving bills. This sometimes resulted in customers eventually receiving a larger than normal bill for energy supplied over several months. We acknowledge that this caused financial difficulty for some of our customers. We also acknowledge that we did not communicate with our customers as well as we could have during this period. We have now fixed the issues which caused the billing delays and we have been working hard on improving both the style and the timeliness of our customer communications. We take this opportunity to again apologise to our customers for any inconvenience and anxiety experienced during this period.

AGL aims to be the energy industry leader in terms of service delivery and customer management. Our goal is to provide customers with the energy products they need at competitive prices, and to make sure they receive complete and accurate bills from us on a timely basis. And when customers do contact us – for example, to discuss a bill or to change their account details because they have moved house – our aim is to satisfy all their enquiries on the first call.

We are committed to building a truly customer focused organisation. As well as the improvements expected from the implementation of Project Phoenix, we are taking other steps to reinforce the importance of our customers to AGL's continued success. During the year, AGL created the new role of Head of Customer Experience to represent the voice of the customer and to drive a series of new initiatives designed to reflect AGL's commitment to improving customer service. All our senior executives now dedicate time each month to customer service, either by taking customer calls at our call centres or in helping to resolve customer queries. And we are putting in place programs to improve the customer service skills at all our call centres.

We believe that, with the investment we have made in Project Phoenix and the other actions we are taking, we will deliver a quality experience for our customers.

Communities

We provided financial support for Victorian communities affected by bushfires and also provided funding to the AGL Action Rescue helicopter service on the Sunshine Coast.

Leadership team

Michael Fraser
B Com, CPA
Managing Director and Chief Executive Officer

Michael has more than 25 years' energy industry experience, including having established AGL as the country's largest energy retailer, and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Stephen Mikkelsen
CA, BBS
Chief Financial Officer

Stephen has over 12 years' experience in senior financial positions in Australia and New Zealand's electricity markets. Previously he worked in treasury activities in banking and finance.

Paul McWilliams
BA (Accounting), MApFin, ACA
Head of Corporate Support Services and Company Secretary

Paul has had more than 30 years' experience across a variety of roles in the Australian Taxation Office, chartered accounting and listed public companies. He has been with AGL for five years and in the current role for the last three years.

Jeff Dimery
B Bus, Exec Progr. IMD
Group General Manager Merchant Energy

Jeff has more than 20 years' experience in the energy and water resources industry, having been with AGL for the past 13 years. He has held senior management roles in the areas of sales, power generation and wholesale trading.

Michael Moraza
BE (Chem. Eng), MBA
Group General Manager Upstream Gas

Before joining AGL, Michael had a background in the upstream oil and gas industry working for Bridge Oil, later known as Parker and Parsley Australasia. Prior to that, Michael was with the Geneva-based SGS Group, providing services to the petroleum industry.

Paul Simshauser
BEcon, BCom, MCom (Accounting & Finance), PhD (Economics), CPA, FAICD, AFMA Acc. Dealer
Chief Economist and Group Head of Corporate Affairs

Paul has worked in the energy industry for over 18 years, having held senior positions with Stanwell Corporation and NewGen Power, and was the CEO of Babcock & Brown Power Limited. He is also Adjunct Professor of Finance at Griffith University's Business School.

Ken Hodgson
B Econ, FFin
Group General Manager Retail Energy

Ken has over 30 years' experience in Financial Services in Australia, New Zealand and the United Kingdom with National Australia Bank and Westpac. Prior to joining AGL, Ken was the General Manager for Consumer Financial Services with Westpac.

Owen Coppage
Chief Information Officer

Owen has many years of experience as a senior executive in the energy industry, including roles interfacing directly with residential and large industrial customers. He has over 20 years' management and operations experience in high-voltage transmission, distribution and hydro generation. Owen has implemented a range of customer information systems within the energy sector.

Jane Thomas
BBus (Hons), LLB (Hons), Grad. Dip. Leg Prac, Masters Org Coaching
Group Head of People and Culture

Jane has more than 15 years' experience in human resources organisational development and employee relations in large organisations including PepsiCo International, Westpac Banking Corporation and Philips.

Left to right: Michael Fraser, Stephen Mikkelsen, Paul McWilliams, Jeff Dimery, Michael Moraza, Paul Simshauser, Ken Hodgson, Owen Coppage, Jane Thomas

AGL is Australia's largest private owner and operator of renewable energy assets. AGL has a diverse power generation portfolio which includes base, peaking and intermediate generation plants.

Kiewa

Hydro-Electric Scheme

Located approximately 300km from Melbourne in the Australian Alps in north-eastern Victoria, the scheme was developed specifically for power generation. It has three power stations with a total capacity of 241 MW and an annual average annual electricity output of 340 GWh.

The three power stations in the scheme are:

- McKay Creek Power Station
- Clover Power Station
- West Kiewa Power Station

AGL is also building the largest hydro-electric generator developed in mainland Australia for the last 25 years. When operational, the Bogong Power Station will be able to provide renewable electricity to over 120,000 homes during peak summer demand.

AGL's hydro assets have long operating lives that produce no carbon emissions and provide considerable long-term benefits to AGL.

McKay Creek Power Station

Capacity	150 MW

Clover Power Station

Capacity	29 MW

West Kiewa Power Station

Capacity	62 MW

Bogong Power Station

Capacity	140 MW
Status	Under construction

AGL made significant progress toward achieving its objective of owning 2,000 PJ of gas with the recent acquisitions of reserves in the Gloucester Basin and the Sydney Basin in New South Wales.

The following asset summary is a snapshot of AGL's main generation assets and those currently under construction and AGL's principal upstream gas assets.

AGL Hallett and Wattle Point

Wind Farms

AGL's wind farms produce electricity from one of the cheapest and most effective forms of renewable generation, with no fuel costs, no greenhouse gas emissions and no air pollution. The wind farms make a significant contribution to South Australia and toward achievement of the national renewable energy targets.

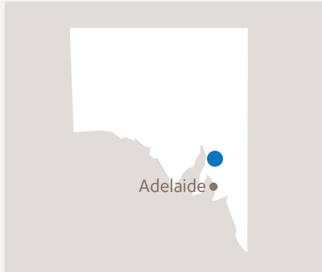
AGL Hallett 1 Wind Farm was officially opened in June 2008. The wind farm has 45 turbines and operates at a 94.5 MW capacity.

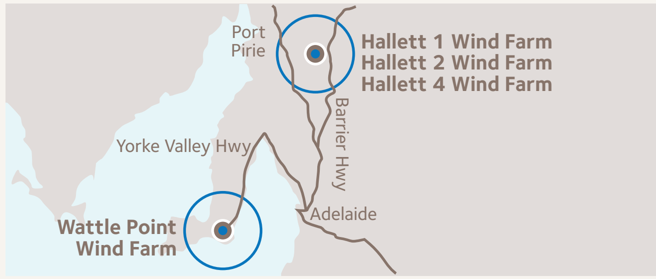
AGL Hallett 2 Wind Farm is currently in construction and due for completion in late calendar 2009. Thirty-four turbines are planned to operate at a capacity of 71.4 MW.

AGL Hallett 4 Wind Farm is currently in construction and due for completion in 2011.

There are two other wind farms under development at Hallett and, if all projects proceed, by 2011 AGL could be operating more than 230 wind turbines at Hallett, with a combined capacity of over 420 MW.

Wattle Point Wind Farm consists of 55 wind turbines set on an area covering 17.5 square kilometres. These turbines have a total capacity of 90.8 MW.





AGL Hallett 1 Wind Farm

Location	South Australia
Fuel type	Wind
Capacity	94.5 MW

AGL Hallett 2 Wind Farm

Location	South Australia
Fuel type	Wind
Capacity	71.4 MW
Status	Under construction

AGL Hallett 4 Wind Farm

Location	South Australia
Fuel type	Wind
Capacity	132.3 MW
Status	Under construction

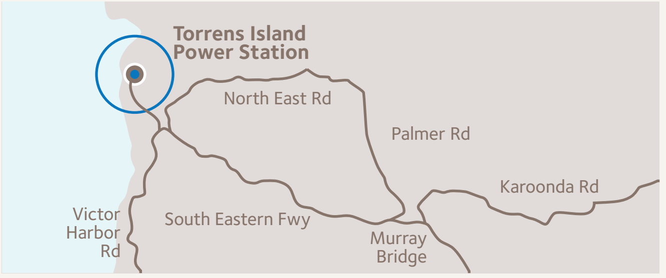
Wattle Point Wind Farm

Location	South Australia
Fuel type	Wind
Capacity	90.8 MW

Torrens Island

Power Station

Torrens Island Power Station burns natural gas in eight steam turbines to generate up to 1,280 MW of electricity. It is the largest power station in South Australia and the largest natural gas fired power station in Australia.



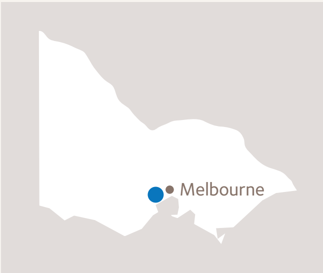
Torrens Island Power Station	
Location	South Australia
Fuel type	Gas
Capacity	1,280 MW

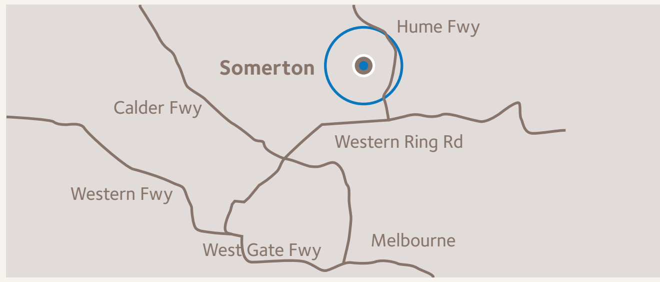
Somerton

Power Station

Built in 2002, the Somerton Power Station provides 150 MW of gas fired generation and is located close to the major load centre in Victoria, being in the industrial suburbs of Melbourne.

Four 37.5 MW gas turbines make up the generation capacity, reducing the impact of start failure.





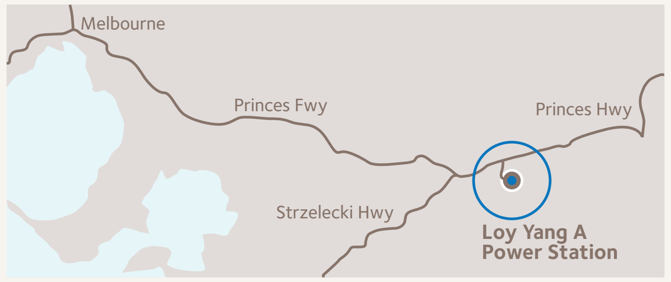
Somerton Power Station	
Location	Victoria
Fuel type	Gas
Capacity	150 MW

Loy Yang

Power Station

In 2004 AGL purchased a 32.5% economic interest in Loy Yang Power, which owns Loy Yang A Power Station and its adjacent coal mine.

Loy Yang A Power Station is a 2,200 MW coal fired base load power station. It is the largest base load generator in Victoria and supplies around one-third of Victoria's electricity requirements.

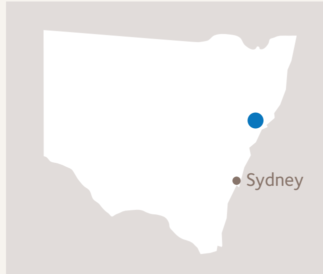


Loy Yang Power Station	
Location	Victoria
Fuel type	Coal
Capacity	2,200 MW

Gloucester Basin

Gas Project

The Gloucester Coal Seam Gas Project is a long-term investment in the Gloucester region to develop coal seam gas resources, including the installation of gas wells, construction of a central processing facility and construction of a high-pressure pipeline to transport the gas.



Gloucester Gas Project	
Location	New South Wales
Fuel type	Coal seam gas
Reserves (2P)	423 PJ

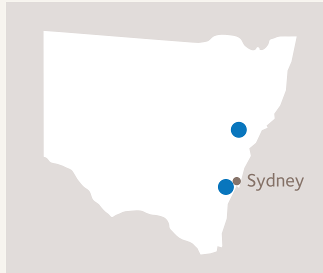
Sydney Basin

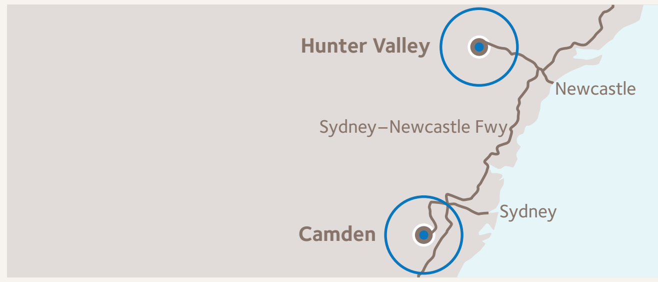
Gas Projects

Camden The Camden Gas Project is located 50km south-west of Sydney and has been producing gas for the Sydney market since 2001. AGL has operated the project since February 2006.

Hunter The Hunter Gas Project covers two Petroleum Exploration Licences (PELs) over approximately 10,000 square kilometres in the Hunter region of New South Wales.

Sydney The Sydney Gas Project covers two PELs over approximately 7,000 square kilometres in the central coast and Sydney region of New South Wales.



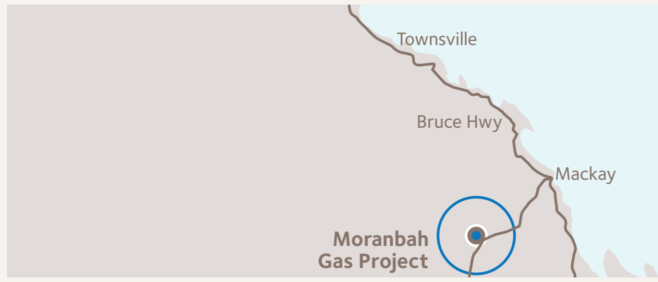


Sydney Gas Projects	
Location	New South Wales
Fuel type	Coal seam gas
Reserves (2P)	129 PJ

Moranbah

Gas Project

AGL has a 50% stake in Moranbah Gas Project, one of Australia's largest coal-seam methane projects. Moranbah's output represents about 12% of the Queensland gas market.



Moranbah Gas Project	
Location	Queensland
Fuel type	Coal seam gas
Reserves (2P)	497 PJ (AGL 50% share)

AGL has Australia's largest retail energy and dual fuel customer base, retailing natural gas, electricity and energy-related products and services to 3.2 million customer accounts across New South Wales, Victoria, South Australia and Queensland.

Retail Energy is responsible for growing AGL's position in downstream gas and electricity markets. Its key business priorities include achieving operational excellence and continuing to improve customer services.

As an energy company committed to energy efficiency across the community, we place a special emphasis on assisting vulnerable Australians to reduce their energy costs.

Retail sources its energy from AGL's Merchant Energy business. In the case of mass market customers, the transfer price for this energy is the cost implicit in regulators' tariff decisions. For AGL's industrial and commercial customers, the transfer price reflects the market price at the time of contracting.

Ken Hodgson joined AGL as Group General Manager Retail Energy in December 2008. Mr Hodgson had previously worked at Westpac, where he was General Manager Consumer Financial Services.

Customer focus

During 2008/2009, AGL completed the third and final rollout of Project Phoenix, the four-year change program designed to deliver world-class competitive capability at industry-leading cost to serve. Project Phoenix transferred more than three million customer accounts onto one integrated strategic platform (SAP) and will rationalise AGL's customer products.

The new SAP platform will give AGL access to more and improved proprietary customer data which, together with an improved analytics capability, will enable us to better tailor product and service offerings to our customers.

It will also help AGL provide improved customer service and deliver a range of significant and ongoing benefits to the business.

Retail Energy's strategy is to deliver a consistently excellent customer experience that generates long-term value.

Project Phoenix will help AGL better understand and meet the needs of its customers.

Financial result

Retail Energy contributed Operating EBIT of $266.8 million for the year ended 30 June 2009, down slightly on the prior corresponding period.

Gross margin (excluding fees and charges) was $48.5 million higher than the previous year, driven by increased tariffs and a focus on acquiring and retaining higher margin customers in both mass markets and commercial and industrial customer segments. This was achieved despite a decrease in margins in Queensland as a result of the tariff determination of the Queensland Competition Authority (QCA). AGL successfully appealed the QCA determination the benefit of which will be realised from 2009/2010. Depreciation expense increased by $12.9 million as a result of depreciating Project Phoenix assets for a full year.

Following the transfer of customer accounts to SAP, there were process and billing issues that resulted in service levels for a number of customers not meeting AGL's required performance standards.

The additional resources required to resolve the process and billing issues, and other consequential impacts, increased Retail Energy's operating expenditure by $38.2 million during the year. The process and billing issues have now been resolved. However, they have resulted in a six month delay in AGL realising the full benefits from the new customer service and billing platform.

Connecting us with the community – Energy for Life

We continued to provide support to the community through AGL's Energy for Life community investment program that connects our business and employees with the community in ways that make a genuine contribution, engage our people and strengthen our business.

Homelessness is AGL's core social issue and this focus is reflected across the four initiatives of Energy for Life – Warmth In Winter, Employee Giving, Volunteering and Energy Matters.

Retail Energy	09	08
Operating EBIT	**$266.8m**	$271.7m
Operating EBITDA	**$303.0m**	$295.0m
Operating cost/gross margin	52.4%	46.9%
Electricity volume (GWh)	33,966	36,555
Gas volume (PJ)	223.3	232.1
Mass market gross margin	$493.8m	$470.0m
Average mass market customers ('000s)	3,197.6	3,171.3
Average mass market gross margin per customer	$154.40	$148.20

3.2 million

At 30 June 2009, AGL had 3.2 million customer accounts, unchanged from 2008. Dual fuel accounts increased by 60,000 over the year.

52.4%

Operating costs were 52.4% of gross margin for the year. AGL's target is to reduce this to between 40%–45% over the next three years.

As an energy company committed to encouraging a focus on energy efficiency across the community, we also place a special emphasis on assisting vulnerable Australians to reduce their energy costs.

During the year, AGL continued to offer assistance in the form of special payment arrangements for customers facing hard times as a result of the global financial crisis or other hardship situations.

Connecting us with the community – retail sponsorships

During the year, AGL launched two sponsorship programs for AGL in Victoria and Queensland, both of which demonstrate AGL's 'Energy in Action'.

Skipping Girl

The Skipping Girl Vinegar sign has been a Melbourne icon since the 1930s. Nicknamed Little Audrey, the animated neon sign had not operated since 2001 and was in urgent need of restoration when AGL stepped in.

As a principal sponsor of the National Trust of Australia (Victoria) restoration appeal, AGL helped to raise funds to restore Little Audrey, by undertaking needed structural frame repairs and a major overhaul of electronics and neon tubing.

As well as a sizeable donation, AGL pledged to power Little Audrey with AGL Green Energy (AGL's 100% GreenPower accredited product) for the next five years.

AGL Action Rescue Helicopter

AGL announced its sponsorship of the Sunshine Coast Helicopter Rescue Service in April, securing ongoing operations to undertake vital rescue, medical and search missions throughout south-east Queensland.

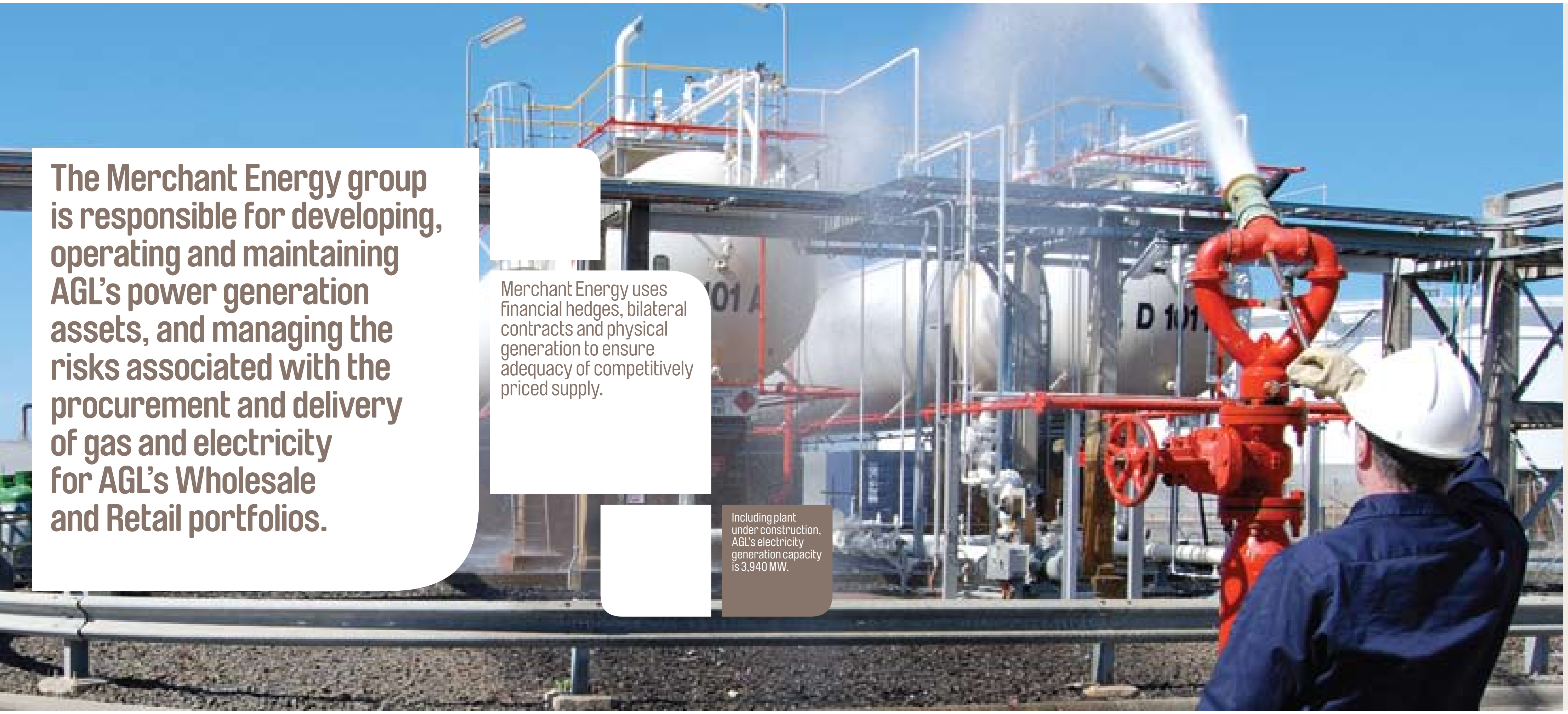
The three-year sponsorship saw the 30-year-old rescue service undergo a major facelift to become the AGL Action Rescue Helicopter.

The AGL Action Rescue Helicopter will continue to service communities throughout south-east Queensland, including the Gold Coast and communities as far north as Bundaberg and west to Chinchilla. The rescue service transports or rescues more than 1,000 people every year and operates 24 hours a day.

Under the sponsorship, AGL provides funding and offers AGL customers the opportunity to donate by nominating contributions to be added to their AGL bills.

$266.8 million

Retail Energy contributed $266.8 million to Operating EBIT for the year ended 30 June 2009.



The Merchant Energy group is responsible for developing, operating and maintaining AGL's power generation assets, and managing the risks associated with the procurement and delivery of gas and electricity for AGL's Wholesale and Retail portfolios.

Merchant Energy uses financial hedges, bilateral contracts and physical generation to ensure adequacy of competitively priced supply.

Including plant under construction, AGL's electricity generation capacity is 3,940 MW.

Merchant Energy	09 $m	08 $m
Operating EBITDA	**502.0**	388.8
Operating EBIT		
Energy Portfolio Management	447.9	356.3
Merchant Operations (excluding Loy Yang)	(97.0)	(88.3)
Loy Yang	30.8	12.4
Energy Services	22.4	28.6
Power Development	51.1	36.8
Sundry	(7.9)	(8.2)
Total Operating EBIT	**447.3**	337.6

2,090 MW

AGL has identified renewable energy development opportunities totalling 2,090 MW.

$447.3 million

Merchant Energy contributed $447.3 million to Operating EBIT for the year ended 30 June 2009.

Financial result

The Merchant Energy businesses continued to be a strong growth engine for AGL.

Merchant Energy delivered an operating EBIT result of $447.3 million, up 32.5% on the prior corresponding period. This result reflects the growing diversity of AGL's generation portfolio and the depth of the development portfolio the Company is bringing to market.

During 2008/2009, AGL's Power Development business was separated from the Upstream Gas business and integrated into Merchant Energy. The other Merchant businesses are Energy Portfolio Management, Merchant Operations and Energy Services.

All business units performed well during the year. The main reasons for the increase in Operating EBIT were:

- effective portfolio management to achieve a lower cost of procuring electricity, gas and renewable energy certificates;
- higher revenue, mainly from increases in regulated tariffs;
- higher energy sales volumes;
- a contribution of $27.0 million as a result of the sale of excess gas capacity in November 2008;
- an increased contribution from AGL's investment in Loy Yang A Power Station; and
- an increase of $14.6 million in fees from the development of wind farm projects.

Energy Portfolio Management

Energy Portfolio Management is responsible for managing the risks associated with procuring gas and electricity. The integrated nature of the portfolio allows AGL to manage and balance the relative price differentials between the gas and electricity markets as well as the costs of different fuels. This gives AGL the ability to run gas fired generation when electricity price is greater than gas cost, or to switch stations to the alternate distillate fuel when gas price is high.

With the easing of drought conditions and the installation of new generation capacity in Queensland and New South Wales in 2008/2009, pool prices returned to more typical patterns with low underlying prices prevailing, accompanied by occasional periods of volatility.

The flexibility of AGL's electricity portfolio was demonstrated when temperatures exceeded 45 degrees in Adelaide and Melbourne in late January/early February, causing load shedding and extreme pool prices before price administration was invoked under the National Electricity Rules. AGL responded to these conditions as the peaking hydro and gas fired generation assets were deployed in response to the volatility.

In more typical conditions, AGL's integrated portfolio benefited from periods of very low underlying pool prices as the efficient gas fired generators, backed by AGL's flexible gas portfolio, were run for extended periods as required.

The flexibility of the gas portfolio provides the option of transporting low cost gas to high value markets. The value of this flexibility was highlighted in November 2008 when the Victorian spot gas market reached $800/GJ as a result of unseasonable cold weather coinciding with supply constraints. AGL was able to benefit by selling some of its excess gas capacity into the Victorian market.

The completion of the QSN gas pipeline link (which connects Queensland with South Australia and New South Wales) and the Berwyndale to Wallumbilla gas pipeline (BWP) provides AGL with further options to bring Queensland gas to the southern states. The first AGL gas flowed from Queensland to Moomba in May 2009, allowing AGL to benefit from competitively priced Queensland gas in time for the peak winter period in the southern markets.

Power Development

AGL's Power Development group is responsible for delivering all upstream electricity generation development projects and for creating a pipeline of development opportunities. Power Development takes projects through the planning and construction stages before delivering the completed asset to Merchant Operations.

AGL continued to develop its suite of renewable energy generation assets with a number of key projects nearing completion at the end of 2008/2009.

The 140 MW Bogong Hydro-Electric Power Station in the Victorian Alps was on track for completion and commissioning on time and on budget in November 2009. During the year, construction of the 6km main headrace tunnel was completed, which will return the Pretty Valley branch of the East Kiewa River to natural water flows. The head pond drop shaft from the McKay Creek Power Station to the Bogong tunnel was also built.

The AGL Hallett 2 Wind Farm in South Australia proceeded on budget and ahead of schedule, with full commissioning expected before the end of the 2009 calendar year. Construction also began on AGL Hallett 4 Wind Farm.

AGL acquired wind farm development opportunities from the portfolios of Allco, Investec and Transfield Services. These acquisitions provide further strategic depth and optionality to AGL's wind energy growth pipeline, with development sites across South Australia, Queensland, Victoria and New South Wales.

Bogong Hydro-Electric Power Station

The 140 MW Bogong Hydro-Electric Power Station was on track for completion and commissioning in November 2009.

Merchant Operations

Merchant Operations is responsible for the physical operation and maintenance of AGL's growing portfolio of wind, water and gas fired electricity generation plants. Merchant Operations also includes the results of AGL's 32.5% investment in the Loy Yang A Power Station.

Ensuring that AGL's generation assets are available when required is the key objective of the business unit.

This was highlighted during the heatwave in Victoria and South Australia when excellent results were achieved despite record demand and with bushfires threatening availability of the hydro assets and water resources.

To increase the flexibility of its workforce, Merchant Operations provided various trades and administrative personnel with the opportunity to work at different sites in support of outages and other works during the year. A major recruitment program has commenced at Torrens Island Power Station (TIPS) to recruit approximately 40 new employees over the next few months as a part of a long-term succession plan.

The 150 MW Somerton gas fired peaking plant achieved 99% commercial start reliability, an outstanding level of performance that exceeds international benchmarks for similar plant. AGL's hydro assets continued to provide reliable fast-start generating capacity with 99% start reliability. The second year of a four-year generator refurbishment program for the West Kiewa Power Station (61.6 MW and commissioned in 1956) saw the renovation of Generator 4 completed, and work starting on Generator 1.

Despite drought conditions, the Kiewa scheme, which has the highest generation capacity and full water release discretion, was not significantly affected with storage levels (65% full at year end) higher than in the previous year. Dartmouth and Eildon experienced a slight increase in storage levels and were 22% and 14% full at year end.

AGL Hallett 1 Wind Farm was handed over to Merchant Operations from Power Development and AGL Hallett 2 Wind Farm produced its first energy in May, while Wattle Point Wind Farm met its production and availability targets.

The Board approved a $40 million upgrade of control systems at TIPS which will result in a single point of control for both A and B stations.

TIPS achieved its ninth year without a Lost Time Injury (LTI). Overall, Merchant Operations recorded two LTIs for the year as a result of soft tissue injuries. Over the year the Lost Time Injury Frequency Rate (LTIFR) reduced from 3.4 to 2.0.

Loy Yang A Power Station

Operating EBIT from AGL's Loy Yang A investment increased to $30.8 million from $12.4 million. Revenue grew by 9% largely as a result of an improvement in the sold contract position offset by lower generation and a reduction in the pool price achieved from $46.79/MWh in 2008 to $41.82/MWh. Other revenue grew 46.0%, mainly driven by an insurance claim resulting from a dredger breakdown. Loy Yang's operating costs and depreciation expense both increased by 7%, offset by a 5% reduction in interest expenses.

Energy Services

Energy Services is responsible for assisting customers to make their businesses more sustainable and energy efficient. It also manages the HC Extractions LPG facility. The Energy Services business continued to build upon its expertise in program maintenance, gas combustion, customer energy infrastructure, customer based asset development and energy efficiency related carbon benefits.

HC Extractions produces LPG and naptha by processing refinery off-gases supplied by the adjacent Caltex oil refinery in Kurnell, Sydney, with all production sold back to Caltex.

During the year, construction of the Brisbane City Council Compressed Natural Gas (CNG) bus facility at Willawong commenced in addition to the expansion of the CNG refuelling facility at Leichhardt in New South Wales. Two landfill projects were successfully completed during the year at Woy Woy and Kincumber in New South Wales.

Late in the financial year, AGL signed a variation to the existing contract with Melbourne Water for the installation of an additional two x 1 MW gas engines, bringing the total generation capacity to 10 MW. It is expected to be fully operational by the end of June 2010.

The decline in earnings arose from lower contracted electricity prices, a turbine failure at one of the plants and lower LPG prices.

Investments	**09 $m**	**08 $m**
ActewAGL	27.9	26.0
Elgas	10.6	15.6
Gas Valpo	–	13.5
AlintaAGL	–	13.6
Investments other	5.5	5.0
Total Operating EBIT	**44.0**	73.7

$221 million

AGL sold its 50% investment in Elgas to the Linde Group for $221 million.

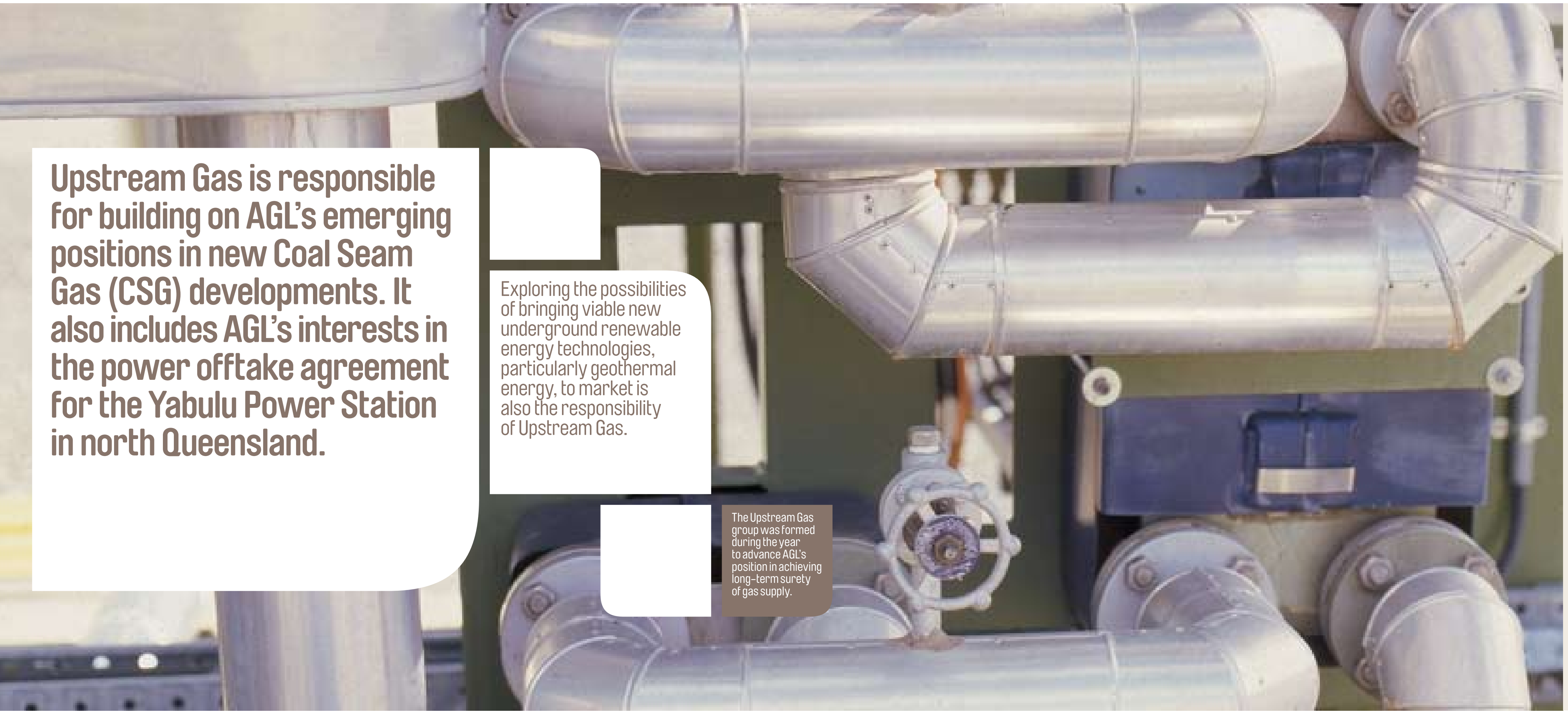
$44.0 million

Energy Investments contributed $44.0 million to Operating EBIT for the year ended 30 June 2009.

ActewAGL is a 50/50 partnership between AGL and Actew Corporation, an ACT Government-owned enterprise. Established in 2000, ActewAGL was the first utility joint venture in Australia between a private company and a publicly owned enterprise. AGL holds a 50% interest in ActewAGL's retail business.

ActewAGL contributed an equity share of profits of $27.9 million for the year ended 30 June 2009, up 7.3% on the previous corresponding period. The improved outcome was due mainly to modest increases in retail gas and electricity margins. The improvement in gas margins was driven by colder weather patterns and a growth in gas customers resulting in increased demand. Improved electricity margins resulted from regulator-approved tariff increases and growth in customer numbers.

AGL disposed of its 50% ownership interest in Auscom Holdings Pty Ltd (Elgas) on 2 October 2008. The sale of Elgas resulted in a pre tax profit of $149.9 million (after tax $119.9 million) which has been classified as a significant item. There was no equity share of profits for the year as AGL had classified Elgas as an investment held for sale. AGL received a dividend of $10.6 million prior to the sale of Elgas that has been recognised as income this year.



Upstream Gas is responsible for building on AGL's emerging positions in new Coal Seam Gas (CSG) developments. It also includes AGL's interests in the power offtake agreement for the Yabulu Power Station in north Queensland.

Exploring the possibilities of bringing viable new underground renewable energy technologies, particularly geothermal energy, to market is also the responsibility of Upstream Gas.

The Upstream Gas group was formed during the year to advance AGL's position in achieving long-term surety of gas supply.

AGL's share of coal seam gas reserves (PJ) (2P)	30 June 2009	31 December 2008
Moranbah Gas Project (50%)	497	416
Gloucester Basin (100%)	423	175
Camden Gas Project (100%)	129	82
Spring Gully Project (various)	7	6
Total	**1,056**	679

$1.127 billion

In December 2008, AGL completed the sale of its oil and gas exploration and production interests in Papua New Guinea for approximately $1.127 billion.

1,056 PJ

AGL's interest in certified 2P reserves of coal seam gas at 30 June 2009 have been upgraded. Proved plus probable (2P) reserves are 1,056 PJ.

Financial result

Upstream Gas delivered an Operating EBIT of $16.3 million, down $92 million on the prior corresponding period.

The main reasons for the fall in Operating EBIT were:

- the sale of Papua New Guinea oil and gas interests on 18 December 2008 with the consequence that AGL only received income from these operations for less than six months of the year; and
- a reduction of $30.2 million in contributions from the North Queensland Energy business due mainly to significantly lower electricity pool prices and a six week scheduled maintenance outage of the Yabulu Power Station

Key transactions

AGL disposed of its 21.5% shareholding in Queensland Gas Company Limited on 5 November 2008 realising a net profit of $506.3 million. This has been classified as a significant item.

The sale of Papua New Guinea oil and gas interests resulted in a net profit of $813.6 million which has been classified as a significant item.

In December 2008, AGL expanded its equity gas footprint in the core New South Wales market by acquiring 100% of the interests in PEL 285 in the Gloucester Basin for $370 million from AJ Lucas Group Limited and Molopo Australia Limited.

In March 2009, AGL successfully completed the takeover of Sydney Gas Limited. The takeover delivered highly prospective exploration acreage in close proximity to the core New South Wales gas market and consolidated permit ownership across the Sydney/Hunter and Gloucester basins.

Following the Gloucester Basin acquisition and the takeover of Sydney Gas, AGL has acquired 100% ownership, control and operation of valuable gas assets surrounding the Sydney Basin in close proximity to our core Newcastle and Sydney markets.

Combining the takeover of Sydney Gas with the purchase of the Gloucester Basin acreage gives AGL the opportunity to further increase its ownership of gas reserves in New South Wales. The concurrent development of the Camden, Hunter and Gloucester gas projects provides AGL with strategic benefits, optionality and a substantial source of long-term wholesale gas supplies.

Growing gas reserves through targeted exploration and acquisitions

During the year, AGL also completed other transactions to obtain gas prospecting rights and reserves in strategically important permit areas.

AGL announced an investment in a CSG production pilot and exploration and appraisal program with Galilee Energy Limited in Queensland's Galilee Basin. The deal involves AGL investing up to $37 million over two stages to acquire a 50% interest in exploration tenement ATP 529P.

AGL acquired a 400 TJ gas bank and 50% of Tri-Star Petroleum Company's current joint venture working interests and related assets in the Spring Gully Project for $15.75 million.

AGL also acquired permit interests from Innamincka Petroleum Limited in PEL 101 and PEL 103 in the Cooper Basin under a farm-in involving a cash payment of $15 million and funding a $10 million work program. AGL and Innamincka entered into a 10-year Gas Marketing Agreement under which AGL will have the exclusive rights to market all gas accumulated within the permit areas.

AGL's interests in certified coal seam gas reserves at 30 June 2009 have been upgraded. AGL's share of proved plus probable (2P) reserves now totals 1,056 PJ.

Geothermal

AGL will have significant long-term obligations under the Federal Government's expanded Renewable Energy Target (RET) which will require 20% of the nation's energy to be generated from renewable sources by 2020.

Wind energy development will be the key to meeting the expanded RET in the first half of the next decade. However, with suitable and viable wind sites becoming harder to acquire, new renewable sources will be required after 2015 if the target of 20% renewable energy by 2020 is to be met.

Geothermal is among the most likely base load options to reach the market in this timeframe. The Upstream Gas group is responsible for 'sub-surface', or 'down hole', renewable energy including geothermal energy development.

AGL acquired a 9.99% cornerstone investment in Torrens Energy Limited and entered into a Geothermal Alliance Agreement to commercialise base load geothermal projects close to the National Electricity Market (NEM). The alliance combines Torrens Energy's geothermal exploration capabilities with AGL's energy market development experience. Torrens Energy is responsible for carrying out the exploration activities and providing AGL with the option to farm-in to Torrens Energy's Geothermal Exploration Licences at permit and project level.

2009/2010

The year ahead will see Upstream Gas focus on proving up CSG reserves, especially in the Gloucester Basin and the Hunter Valley.

AGL is making steady progress in resolving various environmental issues in these areas. There is a strong focus on building relationships in these communities to ensure AGL's activities are clearly understood. These activities can be conducted with minimal impact on the environment and can co-exist with other land uses, including residential, tourism and agriculture.

2,000 PJ

The medium-term target of the Upstream Gas group is to grow our direct ownership of gas to 2,000 PJ. Over the past year, AGL acquired interests in the Gloucester Basin and successfully completed the takeover of Sydney Gas Limited, expanding our equity gas footprint in New South Wales.

AGL's approach to Corporate Governance

This Statement explains how AGL conforms with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 2nd Edition' (referred to as either ASX Principles or Recommendations) issued in August 2007.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – *Companies should establish the functions reserved to the Board and those delegated to the Executive Team*

Role of the AGL Board ('the Board')

The Board is responsible for the governance of AGL. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from AGL's Constitution.

The Board's responsibilities are encompassed in a formal Charter which the Board is responsible for reviewing and amending from time to time. The Charter was most recently reviewed and amended in August 2008. While the Charter does not specify how frequently it should be reviewed, the Board intends to undertake a further review during 2010 and thereafter no less frequently than every two years.

The major powers the Board has reserved to itself are:

– Reviewing and approving AGL's strategic plans and performance objectives;

– Selecting, appointing and monitoring the performance of the Chief Executive Officer (CEO) and, if appropriate, terminating the appointment of the CEO;

– Monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team;

– Monitoring the timeliness and effectiveness of reporting to Shareholders;

– Approving and monitoring policies governing AGL's relationship with other stakeholders and the broader community, including policies in relation to environmental management and occupational health and safety (HSE);

– Monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;

– Monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;

– Approving decisions affecting AGL's capital, including determining AGL's dividend policy and declaring dividends;

– Reviewing and recommending to Shareholders the appointment or, if appropriate, the termination of the appointment of the external auditor; and

– Monitoring the effectiveness of AGL's audit, risk management and compliance systems that are in place to protect AGL's assets, and to minimise the possibility of AGL operating beyond acceptable risk parameters.

To assist it in carrying out its responsibilities the Board has established three Committees. They are:

– People and Performance Committee (see Principle 2);

– Safety, Sustainability and Corporate Responsibility Committee (see Principle 3); and

– Audit and Risk Management Committee (see Principle 4).

Details of the main accomplishments of each of the Board Committees during 2008/2009 are included in the commentary on Principle 2.

The timetables for Board and Committee meetings are agreed annually to ensure that the Board and individual Directors dedicate sufficient and appropriate time to reviewing and overseeing AGL's business.

New Directors

New Directors receive a formal letter of appointment along with an induction pack. The contents of the appointment letter and induction pack contain sufficient information to allow the new Director to gain an understanding of:

– The rights, duties and responsibilities of Directors;

– The role of Board Committees;

– The roles and responsibilities of the Executive Team; and

– AGL's financial, strategic, operational and risk management position.

AGL believes that it is important that new Directors are able to contribute to the Board's decision making process at the earliest opportunity. To that end, new Directors undertake an induction program which comprises:

– The comprehensive induction pack which includes a copy of AGL's Constitution; Board and Committee Charters; most recent Annual Report; most recent Appendix 4D or 4E and market results presentation; most recent monthly Group Performance Report; AGL strategic plan; organisational chart; Deed of Access, Insurance and Indemnity and details of AGL's Directors' and Officers' insurance policy; and the register of AGL's most significant risks;

– A program of meetings with members of AGL's Executive Team; and

– A program of meetings with other AGL employees responsible for areas such as HSE, upstream gas operations, and wholesale energy trading.

Delegation to the CEO and the Executive Team

The Board has delegated responsibility for implementing AGL's strategic direction and for managing AGL's day-to-day operations to the CEO and the Executive Team.

Specific limits on the authority delegated to the CEO and the Executive Team are set out in the Delegated Authorities policy approved by the Board. The authorities delegated to the CEO and the Executive Team cover a range of matters including sales contracts, operating expenditure, capital expenditure, employment contracts, billing adjustments and debt write-offs, and communications with media and Shareholders.

Executive Team

The Executive Team comprises the CEO and eight senior managers (Executives) who report directly to the CEO.

Each Executive is employed under a Service Agreement which sets out the terms on which the Executive is employed, including details of the Executive's duties and responsibilities, rights and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either AGL or the Executive, including details of the notice periods required to be given by either party, and the amounts payable to the Executive as a consequence of the termination by AGL of the Executive's employment.

With one exception, all the Executives are employed on a permanent basis. AGL's Chief Information Officer is employed under a Service Agreement which stipulates that his employment with AGL will cease on 30 June 2013 unless extended by agreement between him and AGL.

Recommendation 1.2 – *Companies should disclose the process for evaluating the performance of the Executive Team*

Performance evaluation

All Executives have formal position descriptions. Key performance measures are established for each Executive at the commencement of the financial year. Some performance measures, such as overall AGL financial performance and some occupational health and safety targets, are common for all Executives. Other performance measures are specifically set in line with the individual role and responsibilities of the Executive.

The CEO has personal objectives, as well as objectives related to business units and AGL as a whole. The Board assesses the performance of the CEO against those objectives on an annual basis, or more frequently if required.

The Board, with the assistance of the People and Performance Committee, also monitors the performance of the Chief Financial Officer (CFO), Company Secretary and other members of the Executive Team.

Executive Team performance evaluations have been conducted for the financial year ending 30 June 2009. Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report commencing on page 48 of this Annual Report.

Newly appointed Executives

An induction program is in place to enable newly appointed Executives to gain an understanding of:

– The Company's financial position, strategies, operations and risk management policies; and

– The respective rights, duties, responsibilities and roles of the Board and the Executive Team.

Principle 2: Structure the Board to add value

The Board's size and composition are subject to limits imposed by AGL's Constitution, which provides for a minimum of three directors and a maximum of 10. The Board currently comprises eight non-executive Directors and one executive Director. The Managing Director is the Executive Director and CEO of AGL.

The Directors of AGL at any time during the financial year are listed with a brief description of their qualifications, experience and special responsibilities on pages 42 to 44 of this Annual Report. During the financial year, Carolyn Hewson retired as a Director and Les Hosking and John Stanhope were appointed as Directors. As required by AGL's Constitution, Mr Hosking and Mr Stanhope will stand for re-election as Directors at AGL's Annual General Meeting to be held on 29 October 2009.

The Board met 27 times during the financial year. Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 2.1 – *The majority of the Board should be independent Directors*

Independent decision making

Directors have unfettered access to AGL records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a Director. In addition, the Board has access to other relevant senior management to seek additional information concerning AGL's business.

Under AGL's Board Charter, the Board collectively, and each Director individually, has the right to seek independent professional advice at AGL's expense to help them carry out their responsibilities. During the financial year, neither the Board collectively nor any individual Director availed themselves of this right.

It is usual for the non-executive Directors to confer, without management being present, at the start of each scheduled Board meeting.

Independent Directors

AGL considers a Director to be independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgement in relation to matters concerning AGL.

In assessing independence, the Board reviews the relationship that the Director, and the Director's associates, have with AGL. In determining whether a Director is independent, the Board has considered whether the Director:

- Is a substantial Shareholder of AGL or an officer of, or otherwise associated directly with, a substantial Shareholder of AGL;
- Within the last three years, has been employed in an executive capacity by AGL or any of its related bodies corporate;
- Within the last three years, has been a principal of a material professional adviser or a material consultant to AGL or any of AGL's related bodies corporate;
- Is a material supplier to, or customer of, AGL or any of AGL's related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with AGL; or
- Has any interest, or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests.

The Board regularly assesses the independence of non-executive Directors in accordance with the above criteria. The Board has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent.

During the financial year, there were two circumstances in which individual Directors excused themselves from consideration by the Board of specific matters because of the potential for their independence to be compromised:

- During the period he was a director of Sunshine Gas Limited (Sunshine Gas), Bruce Phillips absented himself from all consideration by the Board of the potential sale by AGL of its shares in Queensland Gas Company Limited (QGC) to BG plc. QGC was, at the same time, undertaking an off-market takeover bid to acquire all of the shares in Sunshine Gas.
- Mark Johnson absented himself from consideration by the Board of AGL's potential 'farm-in' arrangements with Innamincka Petroleum Limited (INP). An associate of Mr Johnson is a director of INP.

No Director has received or become entitled to receive a benefit because of a contract between any company in the AGL group and the Director, or a firm in which the Director is a substantial member, or an entity in which the Director has a substantial financial interest, other than:

- In the case of non-executive Directors, remuneration as disclosed in the Annual Report which includes participation in the Shareholder approved AGL Share Purchase Plan; and
- In the case of the CEO, a contract of employment and entitlements under AGL's Long-Term Incentive Plan.

Recommendation 2.2 – *The Chair should be an independent Director*

Under AGL's Constitution, the Board elects a Chairman from among the non-executive Directors. It is a requirement of AGL's Board Charter that the Chairman be independent.

Recommendation 2.3 – *The roles of Chair and Chief Executive Officer should not be exercised by the same individual*

The requirement in AGL's Constitution that the Chairman be appointed from among the Non-Executive Directors means that the roles of Chairman and Chief Executive Officer are not exercised by the same individual.

The Chairman presides over AGL's Board meetings and Shareholder meetings. Under AGL's Board Charter, the Chairman is also responsible for:

- Leading the Board in reviewing and discussing Board matters;
- Managing the efficient organisation and conduct of the Board's function;
- Briefing all Directors in relation to issues arising at Board meetings;
- Facilitating effective contribution by all Directors and monitoring Board performance;
- Overseeing that membership of the Board is skilled and appropriate for AGL's needs;
- Promoting constructive relations between Board members and between the Board and management;
- Reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- Overseeing the implementation of policies and systems for Board performance review and renewal.

The Chairman must ensure that General Meetings are conducted efficiently, and that Shareholders have adequate opportunity to air their views and obtain answers to their queries.

Recommendation 2.4 – *The Board should establish a nomination committee*

The Board has established a People and Performance Committee (equivalent to a nomination committee) comprising four non-executive Directors, Max Ould (Chairman), Mark Johnson, Sandra McPhee and Graham Reaney. The Committee has a formal Charter that is required to be reviewed at least every two years. The Charter was most recently reviewed in June 2008. A copy of the Charter is available on AGL's website.

The Committee has responsibility for:

- Maintaining a Board which comprises individuals best able to discharge the responsibilities of Directors, having regard to the execution of AGL's strategy and to the highest standards of corporate governance;
- Reviewing the performance and remuneration of the Board and remuneration of senior management; and
- Reviewing and ratifying AGL's remuneration and employment policies, procedures and programs to:
  - Meet long-term people needs;
  - Achieve alignment between the needs and requirements of AGL's customers, Shareholders and other stakeholders, and the values and objectives of AGL's employees;
  - Promote excellent performance;
  - Promote AGL as an employer of choice;
  - Comply with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
  - Provide fair remuneration and other benefits to all AGL employees.

The Committee is responsible for making recommendations to the Board as follows:

Recommendations relating to Board matters

- The skills, knowledge and experience appropriate to AGL's operational, financial and strategic objectives;
- Director tenure and Board composition;
- The process for evaluating Board, Committee and individual Director performance;
- Selection criteria for the appointment of new Directors;
- The appointment and removal of Directors for the consideration of a General Meeting of Shareholders;
- Succession plans for non-executive Directors; and
- Directors' remuneration.

Recommendations relating to the CEO

- Setting and reviewing performance objectives for the CEO and evaluating the contribution and effectiveness of the CEO against those objectives;
- Rewarding the CEO responsibly and fairly for his/her contribution to enhancing AGL's performance; and
- The recruitment, retention and termination policies and procedures for the CEO.

Recommendations relating to the Executive Team

- Reviewing the CEO's recommendations on terms of employment and remuneration for AGL's Executive Team, and on succession plans for key senior positions within AGL;
- Maintaining a balance of skills, knowledge and experience across the Executive Team; and
- Approving policies and procedures for the recruitment, retention and termination of members of the Executive Team.

Recommendations relating to incentive plans and superannuation arrangements

- Reviewing guidelines for AGL's incentive plans; and
- Reviewing the superannuation arrangements in place for AGL's employees.

Recommendations relating to AGL employment policy issues

- Providing counsel and guidance to the business in relation to talent, succession planning and performance management; and
- Monitoring remuneration policies and practices to assist AGL to attract and retain people who create value for Shareholders and who uphold and develop the culture of AGL.

The Committee collectively and its members individually have access to internal and external resources, including access to advice from external consultants or specialists.

The Committee met four times during the year. Details of Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 2.5 – *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors*

Evaluation of the Board

During the financial year, the Board completed a review of its own performance. That review involved each Director and several Executives completing a questionnaire covering:

- The role of the Board;
- The composition of the Board;
- The operation of the Board;
- Group behaviours and protocols; and
- Board performance.

The aggregate results of the questionnaire were discussed at a subsequent Board meeting. The Chairman also met separately with each Director to discuss individual responses to the questionnaire.

Evaluation of Board Committees

The Charters for each of the Board Committees require that each Committee review its own performance annually.
The tables below summarise the review process adopted by, and the main achievements of, each Committee during the year.

Audit and Risk Management Committee

Members during the year	Graham Reaney (Chair) Carolyn Hewson (retired 28 February 2009) Jerry Maycock Bruce Phillips Les Hosking (from 1 December 2008) John Stanhope (from 1 April 2009)
Review process	Facilitated by an external adviser and involved: – Completion of questionnaires by all Directors, the CEO, the Chief Financial Officer, the Company Secretary and the external auditor; and – Interviews with each member of the Committee.
Committee achievements	The review found that the Committee had been effective in performing its responsibilities under the Committee Charter. Its main achievements during the year were: – Transition of two new Directors (Les Hosking and John Stanhope) on to the Committee to replace Carolyn Hewson (retired 28 February 2009) and Graham Reaney (to retire in October 2009); – Re-establishment of an in-house internal audit function and the development of an internal audit plan covering AGL's main risks; – Review of AGL's risk management framework; and – Overseeing transition of new external audit signing partner, to replace Greg Couttas who completed his five-year audit rotation in 2009.

Safety, Sustainability and Corporate Responsibility Committee

Members during the year	Carolyn Hewson (Chair until retired 28 February 2009) Sandra McPhee (Chair since 1 March 2009) Mark Johnson Bruce Phillips Note: Les Hosking was appointed to the Committee on 1 July 2009
Review process	The Committee set aside time at one of its scheduled meetings to discuss its performance over the year in achieving the objectives set out in its Charter and to consider areas to continue improving its effectiveness.
Committee achievements	The Committee considers it has been effective over the last year, most notably in relation to workplace health and safety. Over the year, it has overseen significant reductions in AGL's lost-time injury frequency rate. The Committee has also overseen: – Changes to AGL's HSE organisational structure which have improved AGL's capabilities in this area; – Enhancements to HSE reporting; – Improvements in AGL's HSE framework in relation to contractors working on AGL's major construction projects; and – The adoption of a revised AGL Code of Conduct. While workplace health and safety will continue to be an important focus, the Committee anticipates that it will spend more time over the next year on sustainability matters, particularly with the new obligations under the National Greenhouse Emissions and Energy Reporting Act 2007 (Cth) and the expected introduction of the Carbon Pollution Reduction Scheme.

People and Performance Committee

Members during the year	Max Ould (Chair) Mark Johnson Graham Reaney Sandra McPhee
Review process	The Committee set aside time at one of its scheduled meetings to discuss its performance over the year in achieving the objectives set out in its Charter and to consider areas of focus to maintain or improve its effectiveness.
Committee achievements	The Committee considers it has been effective over the last year. Each of its four meetings during the year focussed on one of the following key strategic issues: – Driving improvement in levels of employee engagement; – Talent management, including development of succession plans for key roles; – Performance management and employee relations strategy; and – Remuneration. The Committee has also overseen: – Implementation of a number of employee development programs to improve skills and raise employee engagement levels; – Further renewal of the Board with the appointment of Les Hosking and John Stanhope as new Directors; and – Redesign of AGL's Long-Term Incentive Plan to provide better alignment of Executive remuneration with sustained increases in Shareholder value.

Principle 3: Promote ethical and responsible decision making

AGL considers ethical decision making to be integral to the conduct of its business. To that end, the Board established the Safety, Sustainability and Corporate Responsibility Committee in March 2008 to assist the Board in enabling AGL to operate its businesses ethically, responsibly and sustainably.

The Safety, Sustainability and Corporate Responsibility Committee currently comprises four non-executive Directors, Sandra McPhee (Chair), Mark Johnson, Bruce Phillips and Les Hosking. The Committee has a formal Charter that is reviewed regularly. A copy of that Charter is available on AGL's website.

The Committee oversees and reviews:

- AGL's actions to meet its obligation to maintain the health and safety of its people;
- The social, environmental and ethical impact of AGL's policies and practices;
- Initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen;
- Integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities; and
- AGL's compliance with all relevant legal obligations on the matters within its responsibilities.

The Committee endeavours to hold as many meetings as practical at AGL business unit locations. It met four times during the year with the meetings held at AGL's Melbourne office; HC Extractions at Kurnell (in Sydney); Mount Beauty in the Victorian alps; and the coal seam gas operations at Gloucester (approximately 250km north of Sydney).

Recommendation 3.1 – *Companies should establish a Code of Conduct*

AGL has a Code of Conduct that applies to AGL and its Directors, employees and contractors (all of which are referred to as 'employees' in the Code). During the financial year, the Code of Conduct was reviewed and amended. The revised Code of Conduct has been distributed to all AGL employees.

The Code of Conduct sets out a number of overarching principles of ethical behaviour and explains:

- The obligations of AGL to put in place mechanisms to assist all employees to act in accordance with these principles; and
- How AGL employees should act consistently with these principles.

The ethical principles are set out under the following headings:

Acting honestly and with integrity

Observing the law

Valuing and maintaining professionalism

Respecting confidentiality

Managing conflicts of interest

Looking after our employees

Looking after the community

All new AGL employees are required to confirm they have reviewed and are aware of AGL's Code of Conduct. AGL is also introducing a process which will require all employees to annually confirm that they are not aware of any breaches of the Code of Conduct that have not been reported.

The Code of Conduct provides a mechanism to enable employees to report actual or suspected breaches, including provision for anonymous reporting to allay any fear of retribution. An Ethics Panel oversees the application of the Code of Conduct, including investigating alleged breaches of the Code, monitoring compliance and recommending amendments to the Board. The Ethics Panel comprises the Company Secretary, the Group Head of People and Culture, the Head of Legal, the Head of Group Audit, and an independent person with expertise in managing employee grievances.

AGL has a commitment to diversity and has a policy on this issue. AGL has also initiated a Diversity Support Line.

AGL's Code of Conduct is available on AGL's website.

Legislative Compliance Policy

Consistent with its Code of Conduct, AGL is committed to the highest standards of integrity, fairness and ethical conduct, including full compliance with all relevant legal obligations. There is no circumstance under which it is acceptable for AGL or a person associated with AGL to knowingly or deliberately not comply with the law or to act unethically in the course of performing or advancing AGL's business. Behaviour of this kind will lead to disciplinary measures that may include dismissal.

AGL has a Legislative Compliance Policy, which sets out responsibilities for compliance with AGL's various legislative obligations. This Policy was reviewed and amended during the financial year. The Policy is published on AGL's website.

Recommendation 3.2 – *Companies should establish a policy concerning trading in securities by Directors, Executive Team and employees*

AGL's Share Dealing Policy sets out the circumstances in which AGL's Directors, Executives and other employees may buy or sell securities in AGL or any other listed company.

AGL Directors, Executives and other employees are prohibited from dealing in, or influencing others to deal in, securities of AGL or any other company if:

- They possess information about AGL or another company that is not generally available to the market; and
- The information, if it were generally available to the market, would be likely to influence persons who commonly acquire securities, in deciding whether or not to acquire or dispose of securities in AGL or another company.

Additionally, Directors and senior managers may only deal in AGL shares during the four-week periods immediately following the release of AGL's half-year results, full-year results and Annual General Meeting.

AGL's Share Dealing Policy is available on AGL's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – *The Board should establish an audit committee*

The Board has established an Audit and Risk Management Committee. Its primary function is to assist the Board in fulfilling its responsibilities to provide Shareholders with timely and reliable financial reports and to protect the interests of Shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

Recommendation 4.2 – *The audit committee should be appropriately structured*

Under its Charter, the Audit and Risk Management Committee must have at least three members, all of whom must be non-executive Directors. The Charter also requires that all members have a working familiarity with basic accounting and finance practices and that at least one member have financial expertise. The Committee must also include members with an understanding of the industry in which AGL operates.

The composition of the Audit and Risk Management Committee has changed during the financial year. Carolyn Hewson, who was a member of the Committee, retired as an AGL Director in February 2009. Les Hosking and John Stanhope, who were both appointed as Directors during the financial year, have joined the Committee. The Committee currently comprises five members – Graham Reaney (Chair), Jerry Maycock, Bruce Phillips, Les Hosking and John Stanhope. Graham Reaney and John Stanhope both have financial expertise as qualified accountants. Bruce Phillips and Les Hosking each have long careers in the energy industry. Further details of the qualifications and experience of all Committee members are disclosed on pages 42 to 44 of this Annual Report.

The CEO, CFO, Company Secretary (who also has responsibility for AGL's Group Risk and Compliance function), Head of Group Audit and external auditor attend Committee meetings at the discretion of the Committee. The Company Secretary is the secretary to the Committee.

The Committee meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half-year and full-year financial reports. The Committee also meets privately with the Head of Group Audit.

The Company Secretary distributes copies of the minutes of a meeting of the Committee to the Board for discussion at the next full Board meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

The Committee collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists. The Committee met six times during the year. Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 4.3 – *The audit committee should have a formal charter*

The Committee operates under a formal Charter published on AGL's website. The Charter is required to be reviewed by the Committee and updated at least every two years. The Charter was most recently reviewed and updated in June 2008.

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee.

The Committee's primary responsibilities include:

- Monitoring the integrity of financial reporting;
- Monitoring and reviewing the external auditor's qualifications, performance and independence;
- Monitoring the effectiveness of risk management processes;
- Monitoring the effectiveness of Group Audit;
- Monitoring legislative and regulatory compliance; and
- Monitoring the adequacy and completeness of internal controls.

Monitoring auditor independence

AGL's Auditor Independence Policy contains details of the procedures for the selection and appointment of the external auditor and for reviewing the independence of the external auditor.

The external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role.

Quarterly reports on the provision of auditing and related services are provided to the Audit and Risk Management Committee. The Directors have concluded that non-audit services provided did not compromise the external auditor's independence requirements under the Corporations Act 2001 (Cth).

AGL's Auditor Independence Policy is published on AGL's website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – *Companies should establish continuous disclosure policies and ensure compliance with those policies*

Market Disclosure Policy

AGL's Market Disclosure Policy describes AGL's continuous disclosure obligations and how they are managed by AGL, as well as how AGL communicates with financial markets. The Policy is complemented by the Market Disclosure Plan that gives effect to the Policy. Both the Market Disclosure Policy and the Market Disclosure Plan are published on AGL's website.

The Market Disclosure Committee – which comprises the CEO, Company Secretary (the nominated Continuous Disclosure Officer), CFO and Head of Investor Relations – is responsible for monitoring compliance with the Market Disclosure Policy. The Continuous Disclosure Officer is the convenor of meetings of the Committee.

The purpose of the Committee is to help AGL achieve its objective to establish, implement and supervise continuous disclosure within AGL. The Committee is responsible for ensuring that all AGL announcements are made in a timely fashion, contain material information that is both objective and factual, and are clearly written to allow investors to assess the impact of information on their investment decisions. The Committee is also responsible for recommending changes to the Market Disclosure Policy.

Accountability

The Company Secretary as the nominated Continuous Disclosure Officer reports to the Board quarterly on matters that were either notified or not notified to the Australian Securities Exchange (ASX). Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available in the Media Centre on the AGL website.

All the AGL Executives also confirm in writing to the Board, on a quarterly basis, that matters which might need to be disclosed have been brought to the attention of the Continuous Disclosure Officer for review.

Financial market communications

Communication with the financial market is the responsibility of the CEO, CFO and Head of Investor Relations. Communication with the media is the responsibility of the CEO, the Company Secretary, and the Head of Media. The Market Disclosure Policy covers briefings to institutional investors and stockbroking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review, as well as media briefings. The Market Disclosure Plan provides further guidance on how to give effect to the Market Disclosure Policy.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – *Companies should establish a shareholder communication policy*

AGL has not established a formal Shareholder communication policy, but it does strive to keep Shareholders informed about the Company's activities.

Electronic communication

Shareholders have the option of electing to receive all Shareholder communications, including dividend statements, by email. AGL provides a printed copy of the Annual Report to only those Shareholders who have specifically elected to receive a printed copy. Other Shareholders are advised that the Annual Report is available on the AGL website.

AGL's website allows Shareholders to view all ASX and media releases since at least December 2007; various investor presentations; a copy of the most recent Annual Report and Annual Reports for at least the two previous financial years; and the Notice of Meeting and accompanying explanatory material for the most recent Annual General Meeting and the Annual General Meetings for at least the two previous financial years.

All announcements made to the ASX are available to Shareholders by email notification when a Shareholder provides the AGL Share Registry with their email address and elects to be notified of all AGL ASX announcements.

Shareholder meetings are webcast and analyst/media briefings in relation to half-year and full-year financial results and other significant events can be heard by teleconference.

Meetings

Notices of meeting sent to AGL's Shareholders comply with the 'Guidelines for notices of meeting' issued by the ASX in August 2007. Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practical. Approximately 180 Shareholders took the opportunity to submit questions in advance of the 2008 Annual General Meeting.

The Chairman also encourages Shareholders at the meeting to ask questions and make comments about AGL's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his/her discretion, may refer a question to another Director, the CEO or a member of the Executive Team.

New Directors or Directors seeking re-election are given the opportunity to address the meeting and to answer questions from Shareholders.

At AGL's 2008 Annual General Meeting, the Chair of both the Audit and Risk Management Committee and the People and Performance Committee addressed the meeting to report on the activities of both Committees during the financial year. AGL intends to continue this practice at future Annual General Meetings. The Chair of the Safety, Sustainability and Corporate Responsibility Committee will also report on the activities of that Committee at future Annual General Meetings.

AGL has adopted the practice of conducting a poll on each motion being considered at the meeting, although Shareholders in attendance at the meeting are given the opportunity to vote by a show of hands before the poll is conducted.

The external auditor attends AGL's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to AGL at least five business days before the day of the meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by AGL and the independence of the auditor.

Principle 7: Recognise and manage risk

Recommendation 7.1 – *Companies should establish risk management policies for the oversight of material business risks*

and

Recommendation 7.2 – *Companies should establish risk management and internal control systems to manage material business risk and require management to report to the Board on the effectiveness of these systems and the effectiveness of the material business risks*

Risk Management Policy

AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. These risks include:

Supply risk

- Making sure that AGL can source adequate volumes of gas and electricity on acceptable terms to meet customer needs. This includes making sure that we have effective electricity hedging policies and procedures in place.

Asset operating risk

- Making sure that AGL's assets, particularly electricity generation assets, operate reliably when required.

Regulatory risk

- The prices AGL can charge its customers for gas and electricity are regulated in most of the markets in which AGL operates. AGL faces the risk that the regulated prices will not increase at the same rate as the costs of acquiring energy to meet customer needs.

Compliance risk

- AGL operates in a heavily regulated industry.

Climate change

- As an energy company, government policies on carbon emissions will affect AGL and its customers.

Financial risk

- Making sure that AGL has the right capital structure to provide the financial capacity to implement its strategy.

AGL systematically examines all operational and financial areas of the Company to identify its major risk exposures using an enterprise-wide risk program based on Standards Australia's AS/NZS 4360:2004 (Risk Management). This program is supported by AGL's Risk Management Policy.

AGL has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

– Legislative Compliance Policy;
– Market Disclosure Policy;
– Code of Conduct;
– Delegations of Authority Manual;
– Health, Safety and Environment Policy;
– Wholesale Energy Risk Management Policy;
– Treasury Policy; and
– Privacy Policy.

Roles and responsibilities
The Risk Management Policy, and the other policies listed above, describe the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board or to the Audit and Risk Management Committee (Committee), Executives, the business units and AGL's Group Audit function.

Board
The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that AGL has a sound system of risk management and internal control that is operating effectively.

Committee
The Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control. The Committee receives an annual presentation of AGL's material business risks and the controls in place to mitigate the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics.

The Committee has responsibility for approving the audit plan submitted annually by Group Audit. The Committee ensures that the audit plan has been developed based on an assessment of AGL's main risk exposures.

Executive Team
The CEO has primary responsibility for designing, implementing and reporting on AGL's risk management framework.

The Executive Team collectively has responsibility for promoting a risk management culture throughout AGL, including consistent application of the Risk Management Policy across the Company.

Business units
AGL's business units are responsible for maintaining effective internal controls, consistently applying the risk management framework, and reporting new or changed risk events.

Group Risk
Group Risk is responsible for supporting the businesses in identifying and implementing effective risk management processes, for reporting details of AGL's material business risks and risk controls to the Committee, and for recommending changes to the Risk Management Policy.

Group Audit
Group Audit provides assurance to the Committee on the effectiveness of AGL's risk management framework and on the adequacy and effectiveness of the system of internal controls.

Recommendation 7.3 – *CEO and CFO assurance on financial reporting risks*

The CEO and the CFO have provided the Board with written assurances that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – *The Board should establish a remuneration committee*

The Board has established a People and Performance Committee (equivalent to a remuneration committee) comprising four non-executive and independent Directors – Max Ould (Chairman), Mark Johnson, Sandra McPhee and Graham Reaney. The Committee has a formal Charter that is reviewed regularly. A copy of that Charter is available on AGL's website.

Full details of the responsibilities of the People and Performance Committee are set out in the commentary in relation to Recommendation 2.4. These responsibilities include making recommendations to the Board in relation to remuneration policies applicable to Directors and to senior AGL management.

The CEO attends meetings of the People and Performance Committee by invitation when required to report on and discuss senior management performance, remuneration and related matters, but is not present at meetings when his own performance or remuneration is discussed.

Recommendation 8.2 – *The Company should distinguish between Non-Executive Directors' remuneration and that of Executive Directors and senior management*

AGL's remuneration structure distinguishes between non-executive Directors and that of the Managing Director and senior management. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report, commencing on page 48 of this Annual Report.

AGL's website

Apart from the corporate governance disclosures contained within this Annual Report, the ASX Principles also recommend that a company makes available relevant documents (e.g. charters and policies) on its website.

The following documents are published on the AGL website under About AGL/Investor Centre.

– Annual Report;
– Sustainability Report;
– Corporate Governance Statement;
– Board Charter;
– People and Performance Committee Charter;
– Audit and Risk Management Committee Charter;
– Safety, Sustainability and Corporate Responsibility Committee Charter;
– Code of Conduct;
– Share Dealing Policy;
– Legislative Compliance Policy;
– Auditor Independence Policy;
– Market Disclosure Policy;
– Risk Management Policy;
– Health, Safety and Environment Policy;
– Privacy Policy; and
– Wholesale Energy Risk Management Policy (summarised).

The Directors present their Report together with the annual Financial Report of AGL Energy Limited (AGL) and its consolidated entities, being AGL and its controlled entities, for the year ended 30 June 2009 and the Independent Audit Report thereon.

AGL is the head entity of the AGL Energy Limited Group and is listed on the Australian Stock Exchange Limited under the code of 'AGK'.

Directors

The Directors of AGL at any time during or since the end of the financial year are:

Non-executive Directors

- Mark Johnson
- Carolyn Hewson AO (retired 28 February 2009)
- Les Hosking (appointed 1 November 2008)
- Jeremy Maycock
- Sandra McPhee
- Max Ould
- Bruce Phillips
- Graham Reaney
- John Stanhope (appointed 9 March 2009)

Executive Director

- Michael Fraser

Directors' qualifications, experience, other directorships and special responsibilities

Mark Johnson LLB MBA – Chairman, Age 68
Term: Non-executive Director and Chairman since February 2006.

Independent: Yes.

Committees: Member of the People and Performance Committee and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Chairman of Macquarie Infrastructure Group (commenced as a Director in 1996). He is also Chairman of The Australian Financial Centre Forum and one of the Prime Minister's representatives on the APEC Business Advisory Council.

Experience: Previously Deputy Chairman of Macquarie Bank Limited (commenced as a Director in 1987 and retired in July 2007); a Director of Pioneer International, Sydney Futures Exchange; and the Victor Chang Cardiac Research Institute; and Chairman of The Australian Gas Light Company (commenced as a Director in 1988 and retired in October 2006).

Michael Fraser BCom CPA
Managing Director, Age 52
Term: Managing Director and Chief Executive Officer since 22 October 2007.

Independent: No.

Committees: Nil.

Directorships: Nil.

Experience: Previously a Director of Queensland Gas Company Limited (commenced in March 2007 and retired in November 2008), Chairman of Elgas Limited and of ActewAGL, a Director of the Australian Gas Association, the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCo) Participant's Advisory Committee and previously a Director of the Uniting*Care* Ageing Board (commenced in June 2004 and retired in November 2008). He has more than 25 years' energy industry experience, including having established AGL as the country's largest energy retailer and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Les Hosking, Age 64
Term: Non-executive Director since November 2008.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee (from July 2009).

Directorships: Director of Adelaide Brighton Limited (commenced in 2003), Innovation Australia (commenced in 2003), Australian Energy Market Operator (Transition) Limited (AEMO) (from November 2008 to June 2009) and the Australian Energy Market Operator (AEMO) (commencing 1 July 2009).

Experience: Previously Managing Director and Chief Executive Officer of NEMMCo (from 2003 to 2008) and a non-executive Director of NEMMCo (from 1996 to 2003). He has over 30 years' experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (from 1985 to 2000). As Chief Executive Officer of Axiss Australia (from 2000 to 2003), he developed and implemented a strategy for the Australian Government to position Australia as a centre for global financial services.

Jeremy Maycock BEng (Mech) (Hons), FAICD, FIPENZ, Age 57
Term: Non-executive Director since October 2006.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee.

Directorships: Managing Director and Chief Executive Officer of CSR Limited (commenced on 1 April 2007) and appointed to the Advisory Council of the Australian School of Business (UNSW) (commenced 11 March 2009).

Experience: Previously Managing Director and Chief Executive Officer of Hastie Group Limited (commenced in 2003 and retired in 2007), inaugural Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 36 years, with his early career being with Shell Oil in the UK and in New Zealand.

Left to right: Michael Fraser, Mark Johnson, Jeremy Maycock, Sandra McPhee, Max Ould, Bruce Phillips, Graham Reaney, John Stanhope, Les Hosking

Sandra McPhee Dip Ed, FAICD, Age 63
Term: Non-executive Director since October 2006.

Independent: Yes.

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee and a member of the People and Performance Committee.

Directorships: Director of Tourism Australia (commenced in 2009) and St Vincent's & Mater Health Sydney Limited (commenced in 2003) and Vice President of the Art Gallery of New South Wales (commenced in 2003). Member of the Advisory Council of JP Morgan (commenced in 2005) and Advisory Board of Marsh and McLennan Companies (commenced in 2009).

Experience: Previous appointments include Director of Australia Post (commenced in 2001 and retired in 2009), the Coles Group Limited (commenced in 2003 and retired in 2007), Perpetual Limited (commenced in 2004 and retired in 2007), Primelife Corporation Limited (commenced in 2003 and retired in 2005) and CARE Australia. She held a number of Group General Manager positions in Qantas Airways Limited before retiring in 2004.

Max Ould BEc, Age 62
Term: Non-executive Director since February 2006.

Independent: Yes.

Committees: Chairman of the People and Performance Committee.

Directorships: Chairman of Goodman Fielder Limited (commenced as a Director in 2005 and appointed Chairman in September 2006). Director of Pacific Brands Limited (commenced in 2004) and Foster's Group Limited (commenced in 2004).

Experience: Previously Managing Director of National Foods Limited and a Director of The Australian Gas Light Company (commenced in 2004 and retired in October 2006).

Bruce Phillips BSc (Hons) PESA, ASEG, Age 54
Term: Non-Executive Director since August 2007.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Director of Platinum Capital Limited (commenced 10 March 2009) and an alternate Director of the Very Small Particle Company Limited (commenced 30 April 2009).

Experience: He has more than 30 years of technical, financial and managerial experience in the upstream energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited. He also held prior positions as Director of Sunshine Gas Limited (commenced in October 2007 and resigned in October 2008), Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities and General Manager of Petroleum Securities Australia Limited, and was an expert technical adviser to News Corporation Limited.

Graham Reaney BCom CPA, Age 66
Term: Non-executive Director since July 2006.

Independent: Yes.

Committees: Chairman of the Audit and Risk Management Committee and a member of the People and Performance Committee.

Directorships: Chairman of PMP Limited (commenced as a Director in 2002) and a Director of Westpac Banking Corporation (commenced in December 2008).

Experience: Previous appointments include as a Director of St.George Bank Limited (commenced in 1996 and retired in November 2008), a Director of So Natural Foods Australia Limited (commenced in 2001 and retired in October 2006) and a Director of The Australian Gas Light Company (commenced in 1988 and retired in October 2006). He retired as Managing Director of National Foods Limited in 1996, prior to which he was Managing Director of IEL.

John Stanhope BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, Age 58
Term: Non-executive Director since March 2009.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee.

Directorships: Executive Director of Telstra Corporation Limited (commenced in May 2009). Chairman of the Business Coalition for Tax Reform and a member of the Financial Reporting Council.

Experience: Appointed as Chief Financial Officer and Group Managing Director, Finance and Administration of Telstra (commenced in October 2003). In this role he is responsible for finance, treasury, risk management and assurance, productivity, corporate services and billing. Previously served as Director, Finance. In this role, which he assumed in 1995, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures.

Directors' interests

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

AGL Energy Limited ordinary shares	
Mark Johnson	56,843
Michael Fraser	335,155
Les Hosking	2,000
Jeremy Maycock	45,620
Sandra McPhee	10,200
Max Ould	26,877
Bruce Phillips	29,000
Graham Reaney	101,311
John Stanhope	NIL

Company Secretary

Paul McWilliams was appointed Company Secretary of AGL Energy Limited on 25 August 2006. Paul's educational qualifications include Bachelor of Arts (Accounting) from the University of South Australia and Master of Applied Finance from Macquarie University. He is a member of the Institute of Chartered Accountants of Australia. Paul has had more than 30 years of experience across a variety of roles in the Australian Taxation Office, chartered accounting and listed public companies.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of AGL during the financial year were:

	Regular Board meetings		Special Board meetings		Audit and Risk Management Committee		People and Performance Committee		Safety, Sustainability and Corporate Responsibility Committee	
Director's name	A	B	A	B	A	B	A	B	A	B
Mark Johnson	10	11	12	16			1	4	2	5
Michael Fraser	11	11	15	16						
Carolyn Hewson AO (to 28 February 2009)	6	6	13	14	4	4			3	3
Les Hosking (from 1 November 2008)	9	9	7	8	4	4				
Jeremy Maycock	10	11	13	16	6	6				
Sandra McPhee	11	11	15	16			4	4	5	5
Max Ould	11	11	13	16			4	4		
Bruce Phillips	11	11	12	16	6	6			5	5
Graham Reaney	11	11	14	16	6	6	4	4		
John Stanhope (from 9 March 2009)	4	5	2	2	2	2				

A – number of meetings attended

B – number of meetings held during the time the Director held office during the year

In addition to the above selected meetings, Directors throughout the year participated in informal meetings and telephone conferences. AGL makes extensive use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; and to dispose of routine matters to allow formal Board meetings to concentrate on more important matters. An extended strategy session is held at least once a year. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Review and results of operations

The consolidated profit after income tax attributable to Shareholders was $1,596.1 million (2007/2008 $229.0 million). The underlying net profit after tax was $378.8 million (2007/2008 $341.0 million). A review of the operations and of the results of those operations of the consolidated entity during the financial year are contained on pages 24 to 31 of this Annual Report.

Reconciliation of underlying net profit after tax

	30 June 2009	30 June 2008
Profit after tax from continuing operations	**718.2**	316.3
Profit/(loss) after tax from discontinued operations	**877.9**	(87.3)
Profit after tax attributable to Shareholders	**1,596.1**	229.0
Adjust for the following after tax items:		
Significant items	**(1,441.3)**	(62.6)
Changes in fair value of financial instruments	**251.0**	184.6
Pro-forma adjustment	**(27.0)**	(10.0)
Underlying net profit after tax	**378.8**	341.0

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the AGL consolidated entity that occurred during the financial year other than those included in the front section of this Annual Report.

Principal activities

- Buying and selling of gas and electricity;
- Construction and/or operation of power generation and energy processing infrastructure;
- Development of natural gas production facilities; and
- Exploration, extraction, production and sale of coal seam gas (CSG).

Dividends

The following dividends have been paid or declared by the Directors since 30 June 2008:

Final dividend of 27.0 cents per share (100% franked) referred to in the previous Directors' Report and paid on 26 September 2008

$119.9 million

Interim dividend of 26.0 cents per share (100% franked) out of profits for the six months ended 31 December 2008 paid on 3 April 2009

$116.2 million

Final dividend of 28.0 cents per share (100% franked) payable on 30 September 2009

$125.3 million

Events subsequent to balance date

Apart from matters discussed elsewhere in this Annual Report, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2009 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 the future.

Likely developments, strategies and prospects

Further information about likely developments in the operations of AGL and its consolidated entity and the expected results of those operations in the future has not been included in this Annual Report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

AGL's operations are subject to various Commonwealth, State and Territory environmental laws in relation to energy.

During 2008/2009, the Board Safety, Sustainability and Corporate Responsibility Committee met five times to review the effectiveness of AGL's health, safety and environmental management program. The entity completed health, safety and environmental system audits using external auditors. The environmental focus of the audits in 2008/2009 was on environmental licence compliance. In addition, the Board Audit and Risk Management Committee was presented with a six-monthly summary of environmental compliance.

Merchant Energy

Environmental licence and planning conditions in New South Wales, Queensland, South Australia and Victoria govern aspects of the management of generation assets.

Operational and maintenance activities were undertaken throughout Australia during the financial year. No environmental infringements were reported and no fines were levied on this part of the business during the year.

Wattle Point Wind Farm, South Australia

A condition of the wind farm's Development Approval No 544/1318/2002 was to perform a noise level survey to confirm representations made as part of the wind farm's development application. The noise testing results demonstrate that the original noise modelling by the developer of the wind farm was incorrect. Noise performance of the wind farm exceeds its Development Approval conditions. Energy output would need to be reduced by approximately 10% to bring noise levels within Development Approval conditions. As noted last year, AGL has held discussions with the Environment Protection Authority (EPA) South Australia and the local council to consider amending the Development Approval conditions. It is anticipated that a recommendation will be made to the local council to approve amendments to the Development Approval conditions.

Hallett 1 Wind Farm, South Australia

The wind farm commenced full operations during 2008/2009. Noise testing required under the Development Approval is still being completed by the contractor and results are expected early next calendar year with an expectation that the wind farm will be compliant.

Somerton Power Station, Victoria

The Somerton Power Station operates in accordance with Waste Discharge Licence No. EA 51148 under the Victorian Environment Protection Act.

The Somerton Power Station is subject to the Environment Protection (Environment and Resource Efficiency Plans (EREP)) Regulations. During 2008/2009, AGL has registered, submitted and received approval of the Somerton EREP from the Victoria Environment Protection Authority (EPA Victoria).

Torrens Island Power Station, South Australia

The Torrens Island Power Station operates in accordance with Environment Authorisation 12849 and EPA Dark Smoke Exemption 14179 under the Environment Protection Act 1993 (SA).

During the reporting period, the entity conducted an environmental review of prescribed licensed activities and other environmental aspects of the operation of the power station and renewed the Environmental Authorisation for a 10-year period until January 2019. An independent audit of the condenser cooling-water thermal-discharge monitoring program confirmed continuing compliance with authorisation limits.

AGL Hydro power generation

AGL Hydro power generation facilities are spread across New South Wales and Victoria. These assets include flexible catchment controlled cascade power stations, 'run of river' power stations and irrigation driven facilities. During the year, AGL Hydro operations located in New South Wales and Victoria complied with all environmental management conditions associated with Bulk Water Entitlements, Water Agreements and Crown Lease Agreements.

Major Customers power generation

AGL owns and operates generating facilities situated on customer premises in New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia.

The Symex co-generation plant in Port Melbourne, Victoria falls under the Environment Protection (Environment and Resource Efficiency Plans (EREP)) Regulations. During the year, the entity has registered, submitted and received approval of the Symex EREP from EPA Victoria.

During 2008/2009, the Suncoast Gold Macadamia co-generation facility did not conduct stack testing as required by the Queensland Environment Protection Authority (EPA Queensland) environmental protection licence ENRE00720507. This was reported to and discussed with EPA Queensland. As the facility is seasonal in its operations, stack testing has been scheduled to occur when the facility is next operational, which is expected to be early in 2009/2010.

Hydrocarbon Extractions, New South Wales

Hydrocarbon Extractions (HC Extractions) is licensed under the Protection of the Environment Operations Act 1997 (NSW). AGL recently developed a Leak Detection and Repair (LDAR) program, which will be implemented in 2009/2010. This program will more accurately quantify the Volatile Organic Compound (VOC) emissions from the facility network of pipes, valves and flanges. During 2008/2009, the facility licence was amended to include the LDAR program.

In addition, in May 2009 HC Extractions presented a case to the New South Wales Department of Environment and Climate Change Technical Review Panel (TRP) for amendment of licence conditions, based on a proposal for the use of site-specific emission factors for benzene and sulphur dioxide. HC Extractions is currently waiting on a response from the TRP. During the latter part of the year, AGL detected levels of suspended solids in wastewater above the load-based licence limit. AGL is currently investigating the elevated readings, which may be due to adjacent earthwork processes, coinciding with sampling and testing of waste water samples. Holding pond maintenance processes are also under review. Discussion with the New South Wales Environment Protection Authority (EPA NSW) on this matter is expected early in the 2009/2010 financial year.

Construction activities

Construction activities relating to Merchant Energy power generation assets were undertaken at sites in New South Wales, Queensland, South Australia and Victoria during 2008/2009. These activities included the ongoing construction of the Bogong Hydro-Electric Power Station, Hallett 2 Wind Farm and the transition from development to construction stage of the Hallett 4 Wind Farm.

AGL proceeded with the development and construction of new liquefied natural gas bus refuelling depots at Willawong (Queensland) and at Leichhardt (New South Wales) and a further three landfill flaring and generation facilities were constructed in New South Wales.

Upstream Gas

AGL continues to expand its exploration and production operations in New South Wales and is also involved in joint ventures in Queensland and South Australia. AGL is the operator of the Galilee Project in Queensland.

Camden Gas Project, New South Wales

The Camden Gas Project operations are licensed under the Protection of the Environment Operations Act and operate under the Petroleum (Onshore) Act 1991 (NSW) and the Environmental Planning and Assessment Act 2008 (NSW). The Rosalind Park Gas Plant is licensed under the Protection of the Environment Operations Act.

AGL continues to work closely with EPA NSW and the New South Wales Department of Planning on resolving historical licence non-compliance. During 2008/2009, excessive emissions of fine particulates were reported at the Rosalind Park Gas Plant. Further maintenance works at the gas plant and additional monitoring have shown that the facility has subsequently operated in accordance with licence limits. No fines or penalties have been incurred.

A licence variation was obtained which allows AGL to maintain a database of well site and ancillary facility location information for the Camden Gas Project.

The Ray Beddoe Treatment Plant, which is part of the Camden Gas Project, is now decommissioned. Site rehabilitation has been completed and AGL has surrendered the environmental protection licence.

Gloucester Gas Project, New South Wales

The Gloucester Gas Project was acquired in December 2008. The Project operates in accordance with the Petroleum Exploration Licence (PEL) 285 under the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Hunter Gas Project, New South Wales

On 1 April 2009, AGL became the operator of the Hunter Gas Project after becoming the owner of Sydney Gas Limited. The Project is in the exploration phase and operates in accordance with requirements of PEL 267 and PEL 4 under the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Camden North Gas Project, New South Wales

During the reporting period the Camden North Gas Project began the environmental assessment and stakeholder consultation phase. The Project will be subject to the requirements of the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Galilee Gas Project, Queensland

The Galilee Gas Project comprises a range of preparation works for the production testing of the Glenaras Pilot in the Galilee Basin in Queensland. The works are required to comply with the Petroleum and Gas (Production and Safety) Act 2004 (Qld) and the Environmental Protection Act 1994 (Qld) and associated regulations. A Level 1 Environmental Authority was recently granted under the Environmental Protection Act for the tenure and EPA Queensland is currently reviewing the design of the Glenaras holding pond.

Cooper Basin, South Australia

In February 2009 AGL 'farmed into' Innamincka Petroleum Limited's (Innamincka's) interests in PEL 101 and PEL 103 in the Cooper Basin. Innaminka operates oil production from the Flax Field and AGL will operate three coal seam gas exploration wells as part of the 'farm in'. Since mid-February 2009, when AGL 'farmed into' Innamincka's acreage, there have been no reportable environmental incidents or non-compliance reported by Innaminka's operations.

During the year, AGL submitted an application under the Petroleum Act 2000 (SA) for approval to commence coal seam gas exploration, including a drilling program. Works are expected to commence early in 2009/2010.

AGL-Arrow-Shell Moranbah Gas Project Joint Venture, Queensland

The Arrow Energy operated Moranbah Gas Project operates production wells, gas compression and an exploration program in accordance with PLs, ATPs and Environmental Authorities under the Petroleum Act 1923 (Qld) and the Environmental Protection Act. The Environmental Authorities for PL 223 and PL 224 are currently under review for amendment by EPA Queensland.

Other projects and operations

During 2008/2009, AGL concluded the construction of the Berwyndale to Wallumbilla pipeline and the Wallumbilla compression station in Queensland.

AGL's program of geothermal works received approvals and commenced operations during the year. There were no incidents, fines or breaches reported, with no fines levied on this part of the business during the year.

Proceedings on behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of AGL or intervene in any proceedings to which AGL is a party for the purpose of taking responsibility on behalf of AGL for all or any part of those proceedings. AGL was not a party to any such proceedings during the year.

Non-audit services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in this Annual Report on page 100.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Quarterly reports on the provision of auditing and related services are provided to the Board through the Audit and Risk Management Committee. Directors are satisfied that the provision of $232,000 of non-audit services by the external auditor is compatible with the general standard of independence for auditors.

The policy and procedures in place, and the review by the Audit and Risk Management Committee, enable Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act. There is also in place an agreed rotation policy for the senior auditor of Deloitte Touche Tohmatsu. The external auditor annually provides a letter to the Company Secretary on its independence within the meaning of relevant legislation and professional standards. No officers of AGL were partners or directors of Deloitte Touche Tohmatsu during this reporting period.

Indemnification and insurance of Directors and officers

AGL's Constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

– Liability to third parties (other than related entities) when acting in good faith; and
– Costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this Report and the Company Secretary, Paul McWilliams, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year AGL paid premiums in respect of contracts insuring all Directors of AGL as listed earlier, all Directors of related bodies corporate of AGL and secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act does not require disclosure of the information.

Auditor's declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 138 of this Annual Report.

Rounding

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

Remuneration Report

Introduction

The Directors present the Remuneration Report for AGL Energy Limited and its consolidated entities for the year ended 30 June 2009.

A detailed report covering the relevant requirements of the Corporations Act follows.

The Audit Report of the Financial Report contains confirmation that the remuneration disclosures that are contained within this Remuneration Report comply with Section 300A of the Corporations Act.

Remuneration policy

The People and Performance Committee of the Board is responsible for reviewing the remuneration strategy and remuneration arrangements for Key Management Personnel (KMP). It makes recommendations to the Board on these matters. The Committee has access to independent external advisers as required.

The purpose of the People and Performance Committee, in relation to remuneration, is to ensure that appropriate remuneration procedures and programs are in place to:

- Meet long-term people needs through effective talent management and succession planning;
- Achieve clear alignment between the needs and requirements of key stakeholder groups (i.e. customers, Shareholders and communities) and the objectives and values of AGL's employees;
- Promote excellent performance by implementing appropriate remuneration policies and other policies to keep employees committed and motivated;
- Promote AGL as an employer of choice;
- Comply with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
- Provide fair remuneration and other benefits to all employees.

Non-executive Directors

Non-executive Directors are entitled to receive a base fee plus, where applicable, a Committee fee for participation as a member of a Board Committee. Chairing a Committee attracts a higher fee rate. This structure ensures the remuneration reflects the general responsibilities of individual non-executive Directors as well as the extra responsibilities and workload involved in participating in a Committee. The Chairman of the Board receives no extra remuneration for participation in or chairing Committees.

The maximum aggregate remuneration payable to non-executive Directors is $1.75 million per annum, or such other amount as approved at a General Meeting of Shareholders.

Non-executive Directors' fees are determined by the Board based on advice from independent remuneration advisers, which includes market comparison of remuneration paid to non-executive Directors of other companies in comparator groups across the ASX100.

As the focus of the Board is on the long-term strategic direction of AGL, there is no direct link between non-executive Director remuneration and the short-term results of AGL.

The fee structure for non-executive Directors, effective 1 January 2009, is as follows:

	Base fee $	Audit and Risk Management Committee fees $	Other Committee fees $
Chairman of Board	340,200		
Chairman of Committee	136,080	40,824	20,412
Director	136,080	27,216	13,608

The table on page 54 provides a breakdown of fees paid during the financial year to each non-executive Director.

Non-executive Directors may each elect to receive fees as a combination of one or more of:

- Directed superannuation contributions. Subject to minimum contributions as required under the Superannuation Guarantee Charge (SGC) legislation, and maximum tax deductible contributions under the Income Tax Assessment Act, non-executive Directors may direct that some or all of their entitlement to fees be paid as contributions to a complying superannuation fund of their choice;
- AGL shares acquired under the AGL Share Purchase Plan (SPP). The Plan Trustee acquires AGL shares on-market at market price during permitted trading windows. Details of the trading windows are included in AGL's Share Dealing Policy, which is available on AGL's website; and
- Cash. The balance of fee entitlements not taken as directed superannuation contributions or AGL shares is paid in cash to the non-executive Director in equal monthly amounts over the year.

Note that the SPP is currently suspended pending the Federal Government's review of employee share plans.

Non-executive Directors are permitted to vary the components of their fee entitlements at any time.

No options have been granted over any securities or interests of AGL or the consolidated entity.

The Board has a process of reviewing the performance of individual Board members and Board Committees, consistent with the ASX Corporate Governance Principles. This process is also part of the strategic overview of non-executive Directors addressed under the Charter of the People and Performance Committee.

CEO and senior Executive team

The remuneration of the CEO and senior Executives is delivered through a combination of fixed remuneration and short and long-term incentives. The target level of these components for individual roles is determined by comparison with market remuneration practice taking into account the complexity of the business and the industry, enabling AGL to attract and retain key people in critical roles.

External advisers provide relevant market data, comparators and other analysis to ensure remuneration levels for each senior Executive role is established in a rigorous manner. The comparators selected are organisations of comparable business complexity, as well as general market comparisons based on functional job requirements.

Remuneration elements

The total remuneration of senior Executives has three elements:

- Total Fixed Remuneration (TFR) is the amount of non-variable remuneration specified in an Executive's contract of employment. TFR includes the amount of any superannuation contributions paid to a complying superannuation fund on the Executive's behalf and the cost (including any component for Fringe Benefits Tax) for other items such as novated vehicle lease payments. The amount of TFR is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance and experience. Fixed remuneration represents pay for 'doing the job', reflecting AGL's strategy in terms of desired market position;
- Short-Term Incentive (STI) payments are awarded under AGL's Short-Term Incentive Plan (STIP) based on achievement of individual performance targets set at the commencement of the financial year. These targets are aimed at focusing senior Executives on achieving AGL's tactical objectives, as well as reaching divisional performance targets and objectives linked to each Executive's role. They therefore align individual performance and business outcomes, and provide transparent linkages between rewards and the Executive's performance. STI can vary annually based on individual performance against specified targets. The STI can be paid in cash or, at the Executive's election, taken as a contribution to the complying superannuation fund of which the Executive is a member.

  The STI payable to selected senior Executives includes a portion that is deferred for 12 months. Generally the Executive has to remain employed by AGL throughout the deferral period to receive the deferred portion; and
- Share Performance Rights (SPR) are granted in accordance with the terms of the Long-Term Incentive Plan (LTIP), details of which are provided on page 55. The LTIP is designed to align the interests of Shareholders and senior Executives. The focus of the LTIP performance metric is the creation of long-term Shareholder value.

The balance between fixed and variable remuneration is kept under review for market relevance and competitiveness.

The incentive elements may be made to reward performance achieved or to encourage better future performance or for retention purposes.

The variable/at risk element of an Executive's remuneration increases with the level of responsibility and/or criticality of the role. In respect of the 2008/2009 financial year, the maximum remuneration mix within the senior roles in AGL was as follows:

	Maximum percentage of total target remuneration		
	TFR	STI	LTI
Chief Executive Officer	33.3%	33.3%[1]	33.3%[1]
Group General Managers and Chief Financial Officer	50% to 55%	30% to 35%	10% to 20%
Other Senior Executives	60% to 70%	25% to 35%	10% to 15%

Note:
1 Percentages are based on stretch outcomes.

The weighting for variable pay is utilised to drive increased opportunities as well as AGL's 'pay for performance' approach to remuneration.

Performance linkage

(a) Short-Term Incentive

Executives are not eligible to be considered for an STI payment unless they have performed satisfactorily in their role, and demonstrated AGL's values, throughout the year. This is assessed annually using the AGL Performance Development and Review (PDR) process.

STI are payable:

- To Executives employed at the end of the financial year;
- To Executives whose employment terminated during the financial year (on a pro rata basis) due to retirement on grounds of age or invalidity, or death; and
- At the discretion of the Board in other circumstances.

The actual level of STI paid for each Executive is determined at the end of the financial year by assessment of the Executive's performance against specified financial, strategic, customer and people management objectives. These performance objectives are identified and agreed at the beginning of the financial year and included on a PDR for each Executive. The weighting given to each objective varies depending on the Executive's role within AGL. The PDR is used to measure the actual level of achievement of each objective at the end of the financial year. No STI is payable for any objective where a minimum level of performance has not been reached.

The use of the PDR assists in focusing Executives on achieving AGL's tactical objectives, as well as reaching divisional targets and objectives linked to the individual's role. This performance management process provides a robust link between AGL and individual performance and STI payments.

The maximum STI payment varies between 35% and 100% of TFR for senior Executives including the CEO, Mr Fraser. The weighting given to each performance objective will vary for each Executive depending on the Executive's role at AGL. Typically, the weightings may be: financial 40%, strategy/customer 40%, and people management 20%.

(b) Long-Term Incentive

The AGL 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 SPRs that vest to the Executive, providing (and to the extent that) performance conditions applicable to the SPRs are met. An SPR is an entitlement to one fully-paid ordinary share in AGL. 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 AGL in the same manner as AGL shares. On vesting, SPRs are exercised and converted to fully-paid AGL shares.

AGL has made three grants of SPRs to Executives under the LTIP. The first was in April 2007, the second in January 2008 and the third in October 2008.

The first grant in April 2007 comprised two tranches. Vesting of tranche one, representing 50% of the total granted, was based on measurement of the performance hurdle at 30 June 2008.

The second tranche, also representing 50% of the total, will vest based on measurement of the performance hurdle at 30 June 2009.

Vesting of the second grant in January 2008 will be based on measurement of the performance hurdle as at 30 June 2010.

AGL has also made a grant of SPRs to the Chief Financial Officer (CFO), in accordance with his Service Agreement, in November 2006, which will vest based on measurement of the performance hurdle as at 30 June 2009. Following this allocation, the CFO did not participate in the April 2007 offer.

The applicable performance condition for the first two grants of SPRs (including the CFO) is based on relative Total Shareholder Return (TSR) over three years as follows:

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

The level of vesting is dependent upon AGL's relative TSR performance measured against the ASX100 companies at specific dates as follows:

Grant	AGL's TSR performance measured against the ASX100 companies as at:
April 2007	26 October 2006
CFO	8 November 2006
January 2008	26 October 2007

Vesting of the third grant in October 2008 will be based on measurement of the performance hurdle initially three years from the date of issue and (to the extent that full vesting does not occur at this point) four years from the date of issue.

The applicable performance condition for the third grant of SPR is based on relative TSR as follows:

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

The comparable group of ASX listed companies is the group of companies which comprise the ASX100 at 1 October 2008.

For all grants the SPRs will vest to the extent to which the performance condition is either satisfied or waived by the AGL Board.

TSR performance is assessed by an independent third party provider to ensure accuracy and independence of calculation.

TSR was chosen as the measure for vesting of the LTI as it takes into account dividends, changes in share price and return of capital and provides a further link between AGL and individual performance and remuneration, as well as an indication of Shareholder wealth creation.

LTIP allocations to Executives are determined based on market practice to give AGL comparability in remuneration against other energy industry companies.

The Board is continuing to review the terms on which future grants of SPRs will be made under the LTIP. The Board has sought external advice regarding market practice in Australia and overseas to assist with this process and is cognisant of the various reviews of Executive remuneration currently occurring.

Participants in the LTIP are restricted from entering into any derivative or other financial product in relation to the SPRs to protect against an economic exposure to price movements in AGL shares.

If, before the expiry of the vesting period applicable to a grant of SPRs, a Plan participant ceases employment as a result of total and permanent disablement, redundancy, retirement or death, the AGL 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.

Any SPRs that do not vest when performance conditions are applied to them will automatically lapse.

AGL financial performance

The financial performance information provided below is to meet the reporting requirements of the Corporations Act.

Year ended 30 June[3]	2009	2008	2007
EPS (cents)[1]	91.0	80.6	75.5
Dividends (cents)[2]	54.0	53.0	35.5
Increase/decrease in adjusted share price (%)	(5.9%)	(5.7%)	n/a

Notes:

1 EPS excludes significant items and changes in fair value of financial instruments.

2 Dividends relate to financial years, not when they were paid.

3 Only three years' data is available following the demerger of AGL on 25 October 2006.

Service Agreements

Senior Executives have service agreements which specify the components of remuneration to which they are entitled. The Service Agreements provide for participation in the short and long-term incentive arrangements in accordance with the terms of the Plans. The Board can vary the terms of these Plans, although such variations cannot be applied retrospectively.

Details of contract duration, notice period for termination, and termination payments for senior Executives are provided in the table below. Details on Mr Fraser are covered in the section commencing on page 51.

Executive	Position	Contract duration	Termination notice period by AGL	Termination notice period by employee	Termination payments
Jeff Dimery	Group General Manager Merchant Energy	No fixed term	3 months	3 months	Up to 73 weeks TFR
Ken Hodgson	Group General Manager Retail Energy	No fixed term	3 months	6 months	9 months TFR
Paul McWilliams	Group Head of Corporate Support Services and Company Secretary	No fixed term	3 months	6 months	9 months TFR
Stephen Mikkelsen	Chief Financial Officer	No fixed term	3 months	6 months	9 months TFR
Mike Moraza	Group General Manager Upstream Gas	No fixed term	3 months	3 months	9 months TFR

Retention provisions

The Service Agreement of the CFO includes a provision for the payment of a sign on bonus if he is employed by AGL on 28 August 2009.

Terms of Mr Fraser's appointment

Mr Fraser was appointed Managing Director and CEO of AGL on 22 October 2007.

A summary of Mr Fraser's Service Agreement follows.

Term

Mr Fraser's Service Agreement is open ended and his appointment as Managing Director and CEO will continue until his appointment is terminated.

AGL may terminate Mr Fraser's appointment:

(a) By giving Mr Fraser 12 months' notice in writing at any time; or

(b) Without notice in the event of any act which detrimentally affects AGL such as dishonesty, fraud or serious or wilful misconduct in the discharge of his duties or unremedied, persistent, wilful or material breaches of the terms of his Service Agreement.

Mr Fraser may terminate his appointment:

(a) By giving AGL 12 months' notice in writing at any time; or

(b) By giving AGL three months' notice in writing if he ceases to hold the most senior management role within AGL or ceases to report directly to the Board, or if the scope of his responsibilities or authorities is materially diminished (Fundamental Change). This right of termination must be exercised within six months after the Fundamental Change occurs.

If Mr Fraser's appointment is terminated by either AGL or Mr Fraser by giving a period of notice, then AGL may at any time before the end of the period of notice pay to Mr Fraser, in lieu of the unexpired notice period, an amount equal to that proportion of his TFR at the time which corresponds to the period of notice which is forgone.

If Mr Fraser's appointment is terminated by AGL with 12 months' notice before the date on which AGL pays STIs in respect of a financial year, Mr Fraser is eligible to be paid a STI in respect of that financial year as follows:

(a) If Mr Fraser is terminated as a result of unsatisfactory performance, a pro rata STI at on-target performance; or

(b) If Mr Fraser is terminated as a result of redundancy or total or permanent disablement, a pro rata STI for stretch performance.

Further, if Mr Fraser terminates his employment with AGL, due to retirement or a Fundamental Change, a pro rata STI payment will be made for stretch performance.

If AGL terminates Mr Fraser's appointment by giving 12 months' notice in writing, all unvested SPRs granted to Mr Fraser will vest on his date of termination in accordance with the performance criteria determined by the LTIP. Currently the performance criterion is relative TSR against the ASX100.

If Mr Fraser terminates his employment with AGL due to a Fundamental Change, all unvested SPRs granted to Mr Fraser will vest on his date of termination in accordance with the performance criteria determined by the LTIP.

If Mr Fraser terminates his employment with AGL in other circumstances, none of his SPRs will vest in him.

Remuneration

Mr Fraser's remuneration comprises the components set out below.

Total Fixed Remuneration

Mr Fraser's TFR, effective 1 September 2009, is $1.85 million per annum. During each year of the term of his appointment, the Board will review Mr Fraser's TFR for the next year and determine whether to increase that amount, having regard to such matters as the Board thinks fit such as, but not limited to, external market relativities. Under no circumstances can Mr Fraser's TFR be reduced without Mr Fraser's written consent.

Retention arrangement

Under Mr Fraser's prior Service Agreement originally entered into in 1998, he was entitled to certain retention payments. The final payment under this original retention arrangement was due to be made in August 2009. In lieu of these prior retention arrangements, Mr Fraser either has been, or will be, allocated AGL shares in three tranches as follows:

(a) Upon appointment as Managing Director and CEO, AGL shares were allocated with a face value of $1,023,639;

(b) On 1 September 2008, Mr Fraser was allocated AGL shares with a face value of $400,000; and

(c) If Mr Fraser is employed by AGL as at 31 August 2009, AGL shares with a face value of $400,000.

The shares referred to in (a) and (b) above were allocated under the AGL Share Purchase Plan. The allocation of shares referred to in (c) may be under the AGL Share Purchase Plan dependent of the outcome of the Federal Government's share plan review.

Short-Term Incentive

Mr Fraser participates in the AGL STIP.

Mr Fraser is eligible to receive an STI for the year ending 30 June 2010 as follows:

(a) $925,000 for on target performance; or

(b) $1,850,000 for stretch target performance.

Any STI will be determined in accordance with the STIP rules and is subject to satisfaction of applicable performance hurdles as set out in his PDR. Typically, these include financial, strategy, customer and people management objectives.

One half of an STI will be paid in cash. The balance of the STI will be deferred, for 12 months.

Long-Term Incentive

Mr Fraser participates in the AGL LTIP, the terms of which are summarised above under the heading 'Long-Term Incentive' on pages 49 and 50.

AGL has obtained Shareholder approval for the maximum number of SPRs available for issuance to Mr Fraser in respect of each of the financial years ending 30 June 2009, 30 June 2010 and 30 June 2011. Depending on the performance of Mr Fraser against his annual objectives, he may receive a LTIP allocation with a face value equivalent of to up to 100% of his TFR. The number of SPRs to be allocated is determined by dividing his total fixed remuneration for each of those years by the volume weighted average price (VWAP) of the Company's shares traded on ASX during the 30 calendar days immediately following release of the Company's financial results for the preceding financial year.

The SPRs granted to Mr Fraser under AGL's LTIP, which are referred to above, will vest at no cost to Mr Fraser and are issued on the terms and conditions specified in AGL's LTIP.

Restraint

Mr Fraser must not, for a period of six months following termination of his appointment, be engaged or concerned in any capacity whatsoever, in any business which is similar to, or competitive with, the business of AGL, or solicit or entice or attempt to solicit or entice any Director, employee or client of AGL to leave AGL, or attempt to persuade any Director, employee or client of AGL with whom Mr Fraser had dealings within the year preceding the termination of his appointment to discontinue their relationship with AGL or reduce the amount of business they do with AGL.

Share Plan participation

AGL offers its employees participation in the following Share Plans:

- AGL LTIP, whereby Executives are granted SPRs that vest in the Executive after the specified period, providing (and to the extent that) performance conditions applicable to the SPRs are met. Participants in the LTIP are not eligible to participate in the Share Reward Plan;
- AGL Share Reward Plan, whereby AGL in any year grants eligible employees up to a maximum of $1,000 worth of AGL shares subject to AGL meeting specific performance hurdles. Participants in the Share Reward Plan are not eligible to participate in the AGL LTIP; and
- AGL Share Purchase Plan, whereby the Plan Trustee acquires AGL shares on-market at market price during permitted trading windows for Directors and employees who have salary sacrificed a portion of their pre-tax salary. Note that this plan is currently suspended pending the outcome of the Federal Government's review of employee share plans.

The total number of employees participating in the Share Reward Plan and Share Purchase Plan is 1,248 out of 2,095 employees and the total number of AGL shares held is 410,031.

Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of AGL.

The term KMP refers to:

- Non-executive Directors;
- The Managing Director who is the Chief Executive Officer; and
- Senior leadership Executives.

The following persons were KMP of AGL during the financial year. Unless otherwise indicated they were KMP for the entire period.

Name	Position	Tenure (if not full year)
Directors		
Mark Johnson	Chairman	
Les Hosking	Non-executive Director	Appointed 1 November 2008
Carolyn Hewson	Non-executive Director	Retired 28 February 2009
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
Managing Director and Chief Executive Officer		
Michael Fraser	Managing Director and Chief Executive Officer	

Name	Position	Tenure (if not full year)
Executives		
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	

Remuneration of Key Management Personnel for year ended 30 June 2009

	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share Based Payments			
Executives	Cash Salary & Fees $	Short-Term Incentives (a) $	Non-Monetary Benefits (b) $	Other Short-Term Benefits $	Super-annuation $	Retire-ment Benefits $	$	$	Rights (c) $	Other Share Plans $	Total $	Value of Equity as a percentage of Total
Jeff Dimery	461,336	425,000	41,378	–	75,081	–	–	–	97,226	7,200 (d)	1,107,221	9.4%
Michael Fraser	1,245,924	1,100,000	4,176	–	224,175	–	–	–	595,194	400,000 (e)	3,569,469	27.9%
Ken Hodgson (f)	385,732	155,000	–	–	8,018	–	–	–	–	–	548,750	0.0%
Phil James (g)	515,771	–	5,893	–	48,710	–	–	–	21,101	–	591,475	3.6%
Paul McWilliams	391,910	150,000	13,432	–	46,745 (h)	–	–	–	34,677	–	636,764	5.4%
Stephen Mikkelsen	720,008	320,000	–	–	13,745	–	–	–	139,621	–	1,193,374	11.7%
Mike Moraza	430,036	470,000	27,114	–	93,469	–	–	–	41,493	–	1,062,112	3.9%
Alan Murray (i)	298,301	30,830	4,548	–	22,554	–	–	347,061	12,599	–	715,893	1.8%
Jane Thomas	421,906	228,000	–	–	33,093 (h)	–	–	–	33,955	–	716,954	4.7%
Total	4,870,924	2,878,830	96,541	–	565,590	–	–	347,061	975,866	407,200	10,142,012	–

(a) Earned in respect of 2008/2009 financial year and paid in September 2009.
(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.
(c) The fair value LTI SPR has been calculated using a Monte-Carlo simulation method.
(d) Value of shares acquired under the AGL Share Purchase Plan.
(e) Under Mr Fraser's prior Service Agreement he was entitled to certain retention payments as a result of which he was allocated AGL shares which were acquired under the AGL Share Purchase Plan.
(f) Commenced employment in December 2008.
(g) Ceased employment in September 2008.
(h) Includes salary sacrifice contributions.
(i) Ceased employment in March 2009.

All Executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for year ended 30 June 2008

Executives	Short-Term Benefits: Cash Salary & Fees $	Short-Term Benefits: Short-Term Incentives (a) $	Short-Term Benefits: Non-Monetary Benefits (b) $	Short-Term Benefits: Other Short-Term Benefits $	Post-Employment Benefits: Super-annuation $	Post-Employment Benefits: Retire-ment Benefits $	Other Long-Term Benefits $	Termi-nation Benefits $	Share Based Payments: Rights (c) $	Share Based Payments: Other Share Plans $	Total $	Value of Equity as a percentage of Total
Paul Anthony (d)	526,411	–	214,607	–	3,996	–	–	5,118,840	325,946	–	6,189,800	5.3%
Greg Conway (e)	99,733	–	27,676	–	2,449	–	–	1,050,000	–	200,000 (f)	1,379,858	14.5%
Jeff Dimery (g)	518,164	317,500	36,675	–	58,813	–	–	–	43,702	7,216 (h)	982,070	5.2%
Michael Fraser	1,060,001	1,050,000	–	–	176,653	–	–	–	155,409	1,023,639 (i)	3,465,702	34.0%
Phil James	732,044	600,000	24,921	–	194,838 (j)	–	–	–	36,869	–	1,588,672	2.3%
Paul McWilliams	462,548	127,750	27,831	–	42,206 (j)	–	–	–	21,802	–	682,137	3.2%
Stephen Mikkelsen	623,611	281,500	–	–	13,129	–	–	–	70,377	–	988,617	7.1%
Mike Moraza (g)	426,743	245,500	25,235	–	59,357	–	–	–	18,481	–	775,316	2.4%
Total	4,449,255	2,622,250	356,945	–	551,441	–	–	6,168,840	672,586	1,230,855	16,052,172	–

(a) Earned in respect of 2007/2008 financial year and paid in September 2008.
(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.
(c) The fair value LTI SPR has been calculated using a Monte-Carlo simulation method.
(d) Ceased employment in October 2007.
(e) Commenced employment in October 2007, ceased employment in December 2007.
(f) Mr Conway received a sign-on allocation of AGL shares under the AGL Share Purchase Plan.
(g) Includes remuneration received in the financial year prior to appointment as KMP in January 2008.
(h) Value of shares acquired under the AGL Share Purchase Plan.
(i) Under Mr Fraser's prior Service Agreement he was entitled to certain retention payments. Upon appointment as Managing Director and CEO, AGL shares were allocated and acquired under the AGL Share Purchase Plan.
(j) Includes salary sacrifice contributions.

All Executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for year ended 30 June 2009

Non-executive Directors	Short-Term Benefits: Cash Salary & Fees $	Short-Term Benefits: Short-Term Incentives $	Short-Term Benefits: Non-Monetary Benefits (a) $	Post-Employment Benefits: Super-annuation $	Post-Employment Benefits: Retirement Benefits $	Share Based Payments: Rights $	Share Based Payments: Other Share Plans (b) $	Total (a) $	Value of Equity as a percentage of Total
Mark Johnson	15,692	–	–	11,699	–	–	300,208	327,599	91.6%
Carolyn Hewson (c)	53,251	–	–	61,282 (e)	–	–	–	114,533	0.0%
Les Hosking (d)	95,584	–	–	9,163	–	–	–	104,747	0.0%
Jeremy Maycock	–	–	–	12,984	–	–	144,264	157,248	91.7%
Sandra McPhee	145,770	–	–	13,745	–	–	–	159,515	0.0%
Max Ould	76,671	–	–	13,745	–	–	60,278	150,694	40.0%
Bruce Phillips	155,556	–	–	13,745	–	–	–	169,301	0.0%
Graham Reaney	98,454	–	–	25,000 (e)	–	–	60,000	183,454	32.7%
John Stanhope (f)	45,492	–	–	4,094	–	–	–	49,586	0.0%
Total	686,470	–	–	165,457	–	–	564,750	1,416,677	–

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.
(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.
(c) Ceased as an AGL Director in February 2009.
(d) Commenced as an AGL Director in November 2008.
(e) Includes salary sacrifice contributions.
(f) Commenced as an AGL Director in March 2009.

Remuneration of Key Management Personnel for year ended 30 June 2008

Non-executive Directors	Short-Term Benefits: Cash Salary & Fees $	Short-Term Benefits: Short-Term Incentives $	Short-Term Benefits: Non-Monetary Benefits (a) $	Post-Employment Benefits: Super-annuation $	Post-Employment Benefits: Retirement Benefits $	Share Based Payments: Rights $	Share Based Payments: Other Share Plans (b) $	Total (a) $	Value of Equity as a percentage of Total
Mark Johnson	14,718	–	–	13,129	–	–	279,652	307,499	90.9%
Charles Allen AO (c)	97,200	–	–	–	–	–	–	97,200	0.0%
Carolyn Hewson	70,385	–	–	83,514 (e)	–	–	–	153,899	0.0%
Jeremy Maycock	8,609	–	–	12,187	–	–	126,804	147,600	85.9%
Sandra McPhee	126,371	–	–	13,129	–	–	–	139,500	0.0%
Max Ould	69,311	–	–	13,129	–	–	54,960	137,400	40.0%
Bruce Phillips (d)	98,969	–	–	11,274	–	–	–	110,243	0.0%
Graham Reaney	87,200	–	–	25,000 (e)	–	–	60,000	172,200	34.8%
Total	572,763	–	–	171,362	–	–	521,416	1,265,541	–

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.
(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.
(c) Ceased as an AGL Director in February 2008.
(d) Commenced as an AGL Director in August 2007.
(e) Includes salary sacrifice contributions.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2009

	Balance at 1 July 2008	SPRs granted during the year	Grant date	Fair value per SPR at grant date (d)	Lapsed/ forfeited	Vested	Balance at 30 June 2009
Jeff Dimery	3,459	–	1-Apr-07	5.81	(1,132)	(2,327)	–
Jeff Dimery	3,459 (a)	–	1-Apr-07	6.71	–	–	3,459
Jeff Dimery	12,188 (b)	–	11-Jan-08	9.16	–	–	12,188
Jeff Dimery	–	18,056 (c)	27-Oct-08	10.30	–	–	18,056
Michael Fraser	6,605	–	1-Apr-07	5.81	(2,163)	(4,442)	–
Michael Fraser	6,604 (a)	–	1-Apr-07	6.71	–	–	6,604
Michael Fraser	103,915 (b)	–	25-Feb-08	7.66	–	–	103,915
Michael Fraser	–	107,639 (c)	27-Oct-08	10.30	–	–	107,639
Phil James	5,363	–	1-Apr-07	5.81	(1,756)	(3,607)	–
Phil James	5,362	–	1-Apr-07	6.71	(1,756)	(3,606)	–
Stephen Mikkelsen	16,285 (a)	–	8-Nov-06	6.60	–	–	16,285
Stephen Mikkelsen	19,647 (b)	–	11-Jan-08	9.16	–	–	19,647
Stephen Mikkelsen	–	14,000 (c)	27-Oct-08	10.30	–	–	14,000
Paul McWilliams	1,712	–	1-Apr-07	5.81	(560)	(1,152)	–
Paul McWilliams	1,711 (a)	–	1-Apr-07	6.71	–	–	1,711
Paul McWilliams	6,140 (b)	–	11-Jan-08	9.16	–	–	6,140
Paul McWilliams	–	3,132 (c)	27-Oct-08	10.30	–	–	3,132
Michael Moraza	1,430	–	1-Apr-07	5.81	(468)	(962)	–
Michael Moraza	1,429 (a)	–	1-Apr-07	6.71	–	–	1,429
Michael Moraza	5,294 (b)	–	11-Jan-08	9.16	–	–	5,294
Michael Moraza	–	7,639 (c)	27-Oct-08	10.30	–	–	7,639

(a) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 29,488 SPRs will vest on 1 September 2009.
(b) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 147,184 SPRs will vest on 1 September 2010.
(c) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 150,466 SPRs will vest on 1 October 2011.
(d) Fair value of SPRs granted is measured using the Monte Carlo simulation method.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2008

	Balance at 1 July 2007	SPRs granted during the year	Grant date	Fair value per SPR at grant date (c)	Lapsed/ forfeited	Vested	Balance at 30 June 2008
Paul Anthony	140,851	–	–	4.88	(140,851)	–	–
Paul Anthony	46,950	–	–	6.02	–	(46,950)	–
Jeff Dimery	3,459 (a)	–	1-Apr-07	5.81	–	–	3,459
Jeff Dimery	3,459 (a)	–	1-Apr-07	6.71	–	–	3,459
Jeff Dimery	–	12,188 (b)	11-Jan-08	9.16	–	–	12,188
Michael Fraser	6,605 (a)	–	1-Apr-07	5.81	–	–	6,605
Michael Fraser	6,604 (a)	–	1-Apr-07	6.71	–	–	6,604
Michael Fraser	–	103,915 (b)	25-Feb-08	7.66	–	–	103,915
Phil James	5,363 (a)	–	1-Apr-07	5.81	–	–	5,363
Phil James	5,362 (a)	–	1-Apr-07	6.71	–	–	5,362
Stephen Mikkelsen	16,285 (a)	–	8-Nov-06	6.60	–	–	16,285
Stephen Mikkelsen	–	19,647 (b)	11-Jan-08	9.16	–	–	19,647
Paul McWilliams	1,712 (a)	–	1-Apr-07	5.81	–	–	1,712
Paul McWilliams	1,711 (a)	–	1-Apr-07	6.71	–	–	1,711
Paul McWilliams	–	6,140 (b)	11-Jan-08	9.16	–	–	6,140
Michael Moraza	1,430 (a)	–	1-Apr-07	5.81	–	–	1,430
Michael Moraza	1,429 (a)	–	1-Apr-07	6.71	–	–	1,429
Michael Moraza	–	5,294 (b)	11-Jan-08	9.16	–	–	5,294

(a) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 18,569 SPRs vested on 1 September 2008 and 34,850 SPRs will vest on 1 September 2009.

(b) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 147,184 SPRs will vest on 1 September 2010.

(c) Fair value of SPRs granted is measured using the Monte Carlo simulation method.

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 20th day of August 2009.

Mark Johnson
Chairman

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

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

Balance Sheet

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

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

Cash Flow Statement

For the year ended 30 June 2009	Note	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Cash flows from operating activities					
Receipts from customers		**6,777.5**	6,651.4	**48.8**	111.6
Payments to suppliers and employees		**(6,408.9)**	(6,072.8)	**(32.7)**	(59.3)
Dividends received		**37.6**	39.1	**797.5**	123.6
Finance income received		**41.0**	30.8	**414.4**	409.2
Finance costs paid		**(150.1)**	(189.2)	**(238.9)**	(286.9)
Income taxes paid		**(61.7)**	(104.6)	**(61.7)**	(8.6)
Net cash provided by operating activities	54(a)	**235.4**	354.7	**927.4**	289.6
Cash flows from investing activities					
Payments for property, plant and equipment		**(471.4)**	(226.6)	**(8.0)**	(4.0)
Payments for exploration and evaluation assets		**(29.9)**	(8.8)	**(6.4)**	(3.6)
Payments for oil and gas assets		**(89.6)**	(56.8)	**(85.8)**	(21.3)
Payments for investments		**(2.3)**	–	**(44.1)**	–
Payments for other		**(4.3)**	(5.3)	**(2.1)**	–
Payments for businesses and subsidiaries, net of cash acquired	54(b)	**(623.2)**	(620.1)	**(628.2)**	(141.8)
Proceeds from sale of property, plant and equipment		**18.8**	117.3	**–**	–
Proceeds from sale of investments		**1,396.5**	244.3	**1,396.5**	244.3
Proceeds from sale of business and subsidiaries, net of cash disposed:	54(c)				
discontinued operations		**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**	–
Proceeds from return of share capital from subsidiary		**–**	–	**97.7**	33.3
Net cash provided by/(used in) investing activities		**1,442.1**	(498.5)	**866.1**	177.3
Cash flows from financing activities					
On-market share purchases		**(1.9)**	(1.8)	**(1.9)**	(1.8)
Proceeds from borrowings		**446.0**	1,185.0	**445.0**	1,185.0
Repayment of borrowings		**(1,420.8)**	(1,418.6)	**(1,420.8)**	(1,420.0)
Loans advanced to related parties		**(1.2)**	(5.0)	**(1.2)**	(5.0)
Proceeds from repayment of related party loans		**–**	277.1	**–**	277.1
Net increase in loans to/from subsidiaries		**–**	–	**(58.2)**	(537.2)
Dividends paid	11	**(177.4)**	(112.7)	**(177.4)**	(112.7)
Net cash used in financing activities		**(1,155.3)**	(76.0)	**(1,214.5)**	(614.6)
Net increase/(decrease) in cash and cash equivalents		**522.2**	(219.8)	**579.0**	(147.7)
Cash and cash equivalents at the beginning of the financial year		**73.2**	279.2	**33.1**	180.8
Effect of exchange rate changes on the balance of cash held in foreign currencies		**27.7**	13.8	**–**	–
Cash and cash equivalents at the end of the financial year	54(d)	**623.1**	73.2	**612.1**	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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Cash flow hedges:					
(Loss)/gain taken to equity	39	**(1,238.2)**	(1,262.2)	**(39.3)**	18.3
Transferred to profit or loss for the period	39	**514.1**	(1,294.2)	**(3.2)**	(3.1)
Loss on available-for-sale investments taken to equity	39	**(1.1)**	–	**(1.1)**	–
Net loss on hedge of net investment in foreign operations	39	**(62.8)**	(10.4)	**–**	–
Exchange differences arising on translation of foreign operations	39	**173.6**	14.8	**–**	–
Exchange differences transferred to profit or loss on disposal of foreign operation	39	**(83.3)**	(12.6)	**–**	–
Actuarial loss on defined benefit plans		**(64.5)**	(13.9)	**(23.8)**	(9.8)
Share of actuarial loss on defined benefit plans attributable to associates and jointly controlled entities		**(19.5)**	(10.4)	**–**	–
Share of net gain in reserves attributable to associates and jointly controlled entities		**11.9**	163.5	**–**	–
Share of gain in reserves transferred to profit or loss on disposal of jointly controlled entity		**(0.3)**	–	**–**	–
Income tax on items taken directly to or transferred from equity		**216.2**	771.3	**19.9**	(1.6)
Net (expense)/income recognised directly in equity		**(553.9)**	(1,654.1)	**(47.5)**	3.8
Profit for the period		**1,596.1**	229.0	**1,651.9**	239.1
Total recognised income and (expense) for the period attributable to Shareholders of the Parent Entity		**1,042.2**	(1,425.1)	**1,604.4**	242.9

Reconciliation of statement of recognised income and expense to equity movements

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

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 becomes 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	*Business Combinations* (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	*Operating Segments*	New standard replacing AASB 114 *Segment Reporting*. 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	*Presentation of Financial Statements* (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	*Borrowing Costs* (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	*Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*	Significantly extends the disclosure requirements of AASB 7 *Financial Instruments: Disclosures*. 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	*Consolidated and Separate Financial Statements* (revised)	1 January 2009	1 July 2009
AASB 2007-3	*Amendments to Australian Accounting Standards arising from AASB 8*	1 January 2009	1 July 2009
AASB 2007-6	*Amendments to Australian Accounting Standards arising from AASB 123*	1 January 2009	1 July 2009
AASB 2007-8	*Amendments to Australian Accounting Standards arising from AASB 101*	1 January 2009	1 July 2009
AASB 2007-10	*Further Amendments to Australian Accounting Standards arising from AASB 101*	1 January 2009	1 July 2009
AASB 2008-1	*Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*	1 January 2009	1 July 2009
AASB 2008-2	*Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*	1 January 2009	1 July 2009
AASB 2008-3	*Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*	1 July 2009	1 July 2009
AASB 2008-5	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2009	1 July 2009
AASB 2008-6	*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2009	1 July 2009
AASB 2008-7	*Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2009	1 July 2009
AASB 2008-8	*Amendments to Australian Accounting Standards – Eligible Hedged Items*	1 July 2009	1 July 2009
AASB 2008-13	*Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners*	1 July 2009	1 July 2009
AASB 2009-4	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2009	1 July 2009
AASB 2009-5	*Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2010	1 July 2010
AASB 2009-6	*Amendments to Australian Accounting Standards*	1 January 2009	1 July 2009
AASB 2009-7	*Amendments to Australian Accounting Standards*	1 July 2009	1 July 2009
AASB 2009-8	*Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*	1 January 2010	1 July 2010
Interpretation 16	*Hedges of a Net Investment in a Foreign Operation*	1 October 2008	1 July 2009
Interpretation 17	*Distributions of Non-cash Assets to Owners*	1 July 2009	1 July 2009
Interpretation 18	*Transfer of Assets from Customers*	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.

	Continuing operations							Discontinued operations				
Business segments 2009	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Eliminations $m	Unallocated $m	Total continuing operations $m	Upstream Gas – PNG oil and gas $m	Upstream Gas – North Qld gas pipeline $m	Energy Investments – Chile $m	Total discontinued operations $m	Consolidated $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
Segment revenue	5,020.3	3,717.7	817.7	166.0	(2,852.5)	–	6,869.2	1,026.9	24.2	–	1,051.1	7,920.3
EBIT (before significant items and financial instruments)	265.5	436.1	(6.9)	44.0	–	(131.3)	607.4	49.4	0.8	–	50.2	657.6
Significant income/ (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 financial instruments	–	(325.7)	23.0	–	–	–	(302.7)	(33.6)	–	–	(33.6)	(336.3)
Segment EBIT result	196.1	94.8	760.4	193.9	–	(154.6)	1,090.6	953.7	23.9	–	977.6	2,068.2
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)
Profit before tax	197.7	107.2	760.5	193.9	–	(248.0)	1,011.3	951.5	23.9	–	975.4	1,986.7
Income tax expense							(293.1)				(97.5)	(390.6)
Profit after tax							718.2				877.9	1,596.1
Segment assets	3,469.0	3,764.3	1,120.9	15.7	–	664.8	9,034.7	–	–	–	–	9,034.7
Segment liabilities	497.7	1,066.4	217.3	2.2	–	1,405.4	3,189.0	–	–	–	–	3,189.0
Other segment information												
Share of profits of associates and jointly controlled entities using the equity method	–	23.7	2.7	28.0	–	–	54.4	–	–	–	–	54.4
Investments accounted for using the equity method	0.9	163.0	3.6	15.1	–	–	182.6	–	–	–	–	182.6
Acquisition of non-current assets	54.5	341.8	793.7	–	–	21.4	1,211.4	20.5	–	–	20.5	1,231.9
Depreciation and 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 expenses	66.7	8.4	1.4	–	–	11.0	87.5	–	–	–	–	87.5

Note 3 – Segment information (continued)

Business segments 2008	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Eliminations $m	Unallocated $m	Total continuing operations $m	Upstream Gas – PNG oil and gas $m	Upstream Gas – North Qld gas pipeline $m	Energy Investments – Chile $m	Total discontinued operations $m	Consolidated $m
	Continuing operations							Discontinued operations				
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
Segment revenue	4,726.6	3,310.0	88.2	134.3	(2,643.3)	0.3	5,616.1	201.4	9.2	50.5	261.1	5,877.2
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)
Segment EBIT result	236.3	65.1	90.6	172.2	–	(165.1)	399.1	(61.2)	7.3	(26.5)	(80.4)	318.7
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)
Profit/(loss) before tax	239.7	78.5	90.8	183.9	–	(344.9)	248.0	(61.1)	7.4	(27.5)	(81.2)	166.8
Income tax income/(expense)							68.3				(6.1)	62.2
Profit/(loss) after tax							316.3				(87.3)	229.0
Segment assets	3,377.1	4,521.3	822.0	85.2	–	188.0	8,993.6	362.4	96.9	–	459.3	9,452.9
Segment liabilities	528.3	1,436.0	291.5	3.9	–	2,160.3	4,420.0	39.5	13.5	–	53.0	4,473.0
Other segment information												
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 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Australia	**6,893.4**	5,651.2	**9,034.7**	8,970.6	**1,211.4**	1,163.2
Papua New Guinea	**1,026.9**	175.5	**–**	482.3	**20.5**	31.1
Chile	**–**	50.5	**–**	–	**–**	1.8
	7,920.3	5,877.2	**9,034.7**	9,452.9	**1,231.9**	1,196.1

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 4 – Revenue				
Continuing operations				
Revenue from sale of goods	**5,818.9**	5,335.5	**38.9**	44.3
Revenue from rendering of services	**80.4**	88.5	**10.1**	9.9
Dividends				
Subsidiaries	**–**	–	**786.9**	110.0
Jointly controlled entities	**10.6**	5.6	**10.6**	13.6
	5,909.9	5,429.6	**846.5**	177.8
Discontinued operations				
Revenue from sale of goods	**71.5**	227.7	**–**	–
Gain/(loss) in fair value of oil derivatives	**13.6**	(10.7)	**–**	–
	85.1	217.0	**–**	–
Revenue from rendering of services	**0.7**	6.9	**–**	–
	85.8	223.9	**–**	–
Note 5 – Other income				
Continuing operations				
Gain on disposal of investments	**903.5**	146.0	**1,003.0**	124.3
Development fee income	**54.6**	40.0	**0.9**	40.0
Gain on disposal of businesses and subsidiaries	**0.4**	–	**0.4**	–
Net foreign exchange losses	**–**	(0.5)	**–**	(0.5)
Other	**0.8**	1.0	**0.6**	0.1
	959.3	186.5	**1,004.9**	163.9
Discontinued operations				
Gain on disposal of businesses and subsidiaries	**800.2**	–	**25.1**	–
Gain in fair value of oil derivatives	**160.8**	–	**–**	–
Net foreign exchange gains	**–**	29.6	**–**	14.9
Other	**4.3**	7.6	**–**	–
	965.3	37.2	**25.1**	14.9

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 6 – Expenses				
Continuing operations				
Cost of sales	**4,756.6**	4,388.4	**41.3**	19.6
Loss/(gain) in fair value of electricity derivatives	**302.7**	263.1	**(23.1)**	11.6
	5,059.3	4,651.5	**18.2**	31.2
Administrative expenses	**141.9**	123.0	**0.9**	5.7
Employee benefits expense	**283.4**	255.6	**3.0**	2.8
Other expenses				
Impairment of trade receivables (net of bad debts recovered)	**54.8**	35.3	**–**	–
Impairment of property, plant and equipment	**37.2**	58.4	**1.3**	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	**49.5**	29.1	**–**	–
Redundancy, termination and integration costs	**3.6**	11.7	**–**	–
Demerger costs	**16.1**	22.3	**1.8**	–
Net loss on disposal of property, plant and equipment	**7.8**	2.1	**–**	–
Operating lease rental expenses	**17.3**	14.6	**2.7**	–
Other	**39.1**	5.5	**0.5**	–
	5,710.0	5,214.5	**28.4**	136.1
Discontinued operations				
Cost of sales	**18.0**	67.1	**–**	–
Administrative expenses	**–**	3.7	**–**	–
Employee benefits expense	**0.1**	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	**53.0**	–	**0.4**	–
Other	**2.4**	6.2	**–**	–
	73.5	275.2	**0.4**	51.9

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

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

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Note 8 – Profit before income tax				
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	**80.3**	73.4	**3.0**	3.2
Oil and gas assets	**14.7**	74.2	**10.7**	9.5
Intangible assets	**22.2**	16.7	**4.0**	2.0
Other	**5.8**	4.3	**–**	–
	123.0	168.6	**17.7**	14.7
Attributable to:				
Continuing operations	**123.0**	102.3	**17.7**	14.7
Discontinued operations	**–**	66.3	**–**	–
	123.0	168.6	**17.7**	14.7
Employee benefits expense				
Wages and salaries	**240.5**	225.8	**–**	–
Defined benefit superannuation plans	**2.2**	2.2	**0.2**	0.7
Defined contribution superannuation plans	**10.9**	8.4	**–**	–
Share-based payment plans	**2.8**	2.1	**2.8**	2.1
Other employee benefits	**27.1**	20.6	**–**	–
	283.5	259.1	**3.0**	2.8
Significant income/(expense) items				
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)	**753.6**	–	**846.4**	–
Gain on deemed disposal on equity dilution in QGC	**–**	22.3	**–**	–
Gain on disposal of investment in Auscom Holdings Pty Limited	**149.9**	–	**156.6**	–
Gain on disposal of investment in AlintaAGL Pty Limited	**–**	123.7	**–**	124.3
Gain/(loss) on disposal of PNG oil and gas interests	**777.1**	–	**(3.2)**	–
Gain on disposal of North Queensland gas pipeline business	**23.1**	–	**28.2**	–
Loss on disposal of Chile operations	**–**	(3.0)	**–**	(51.9)
Gain on disposal of subsidiary	**0.4**	–	**0.4**	–
Gain in fair value of oil derivatives	**160.8**	–	**–**	–
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	**(37.2)**	(83.1)	**(1.3)**	(7.6)
Impairment of loans to subsidiaries	**–**	–	**–**	(88.8)
Demerger costs	**(16.1)**	(22.3)	**(1.8)**	–
Phoenix Change Program one-off costs	**(49.5)**	(29.1)	**–**	–
Redundancy, termination and integration costs	**(3.6)**	(11.7)	**–**	–
Loss on disposal of property, plant and equipment	**(7.8)**	–	**–**	–
Provision for onerous contract	**(3.8)**	–	**–**	–
	1,746.9	(97.6)	**1,025.3**	(24.0)

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Income tax (expense)/income applicable:				
Gain on disposal of investment in Queensland Gas Company Limited (QGC)	**(247.3)**	–	**(253.9)**	–
Gain on deemed disposal on equity dilution in QGC	**–**	(6.7)	**–**	–
Gain on disposal of investment in Auscom Holdings Pty Limited	**(30.0)**	–	**(30.0)**	–
Gain on disposal of investment in AlintaAGL Pty Limited	**–**	(37.3)	**–**	(37.3)
Gain on disposal of PNG oil and gas interests	**(31.3)**	–	**(14.3)**	–
Gain on disposal of North Queensland gas pipeline business	**(9.6)**	–	**(9.6)**	–
Loss on disposal of Chile operations	**(18.5)**	30.4	**(18.5)**	33.0
Gain on disposal of subsidiary	**(0.1)**	–	**(0.1)**	–
Gain in fair value of oil derivatives	**(85.8)**	–	**–**	–
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	**11.2**	13.8	**0.4**	2.3
Impairment of loans to subsidiaries	**–**	–	**–**	–
Demerger costs	**4.3**	6.7	**–**	–
Phoenix Change Program one-off costs	**14.8**	8.7	**–**	–
Redundancy, termination and integration costs	**1.1**	3.5	**–**	–
Loss on disposal of property, plant and equipment	**2.3**	–	**–**	–
Provision for onerous contract	**1.1**	–	**–**	–
	(387.8)	96.5	**(326.0)**	(2.0)
Reversal of previous write-down/(write-down) of deferred tax assets relating to PNG operations	**67.8**	(59.0)	**–**	–
Refunds of income tax relating to pre-demerger periods	**14.4**	–	**14.4**	–
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
	(305.6)	160.2	**(311.6)**	14.5
Significant income/(expense) items before income tax	**1,746.9**	(97.6)	**1,025.3**	(24.0)
Income tax (expense)/income	**(305.6)**	160.2	**(311.6)**	14.5
	1,441.3	62.6	**713.7**	(9.5)

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

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Income tax recognised directly in equity				
Deferred income tax				
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	**–**	–
Income tax (income)/expense recognised in equity	**(216.2)**	(771.3)	**(19.9)**	1.6
Current tax assets and liabilities				
Current tax assets				
Income tax refund receivable	**–**	47.9	**–**	47.9
Current tax liabilities				
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	**–**	–
	229.9	23.4	**168.6**	–
Deferred income tax recognised in the income statement				
Temporary differences				
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)
	128.7	(207.7)	**22.5**	(14.4)
Deferred tax balances				
Deferred tax assets/(liabilities) arise from the following:				
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
Net deferred tax asset/(liability)	**(218.4)**	(399.6)	**19.5**	12.7

Note 9 – Income tax (continued)

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Net deferred tax asset/(liability) is split as follows:				
Deferred tax assets recognised in the Balance Sheet	**–**	–	**19.5**	12.7
Deferred tax liabilities recognised in the Balance Sheet	**(218.4)**	(379.2)	**–**	–
Deferred tax liabilities recognised in liabilities of disposal groups classified as held for sale in the Balance Sheet	**–**	(20.4)	**–**	–
	(218.4)	(399.6)	**19.5**	12.7
Unrecognised deferred tax assets/(liabilities)				
Deductible temporary differences	**74.3**	51.0	**74.3**	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 and gas interests 2009 $m	North Queensland gas pipeline 2009 $m	Chile 2009 $m	Total 2009 $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)**
	136.3	**0.8**	**–**	**137.1**
Profit on disposal of operations (a)	**777.1**	**23.1**	**–**	**800.2**
Income tax expense	**(31.3)**	**(9.6)**	**(18.5)**	**(59.4)**
	745.8	**13.5**	**(18.5)**	**740.8**
Profit/(loss) after tax from discontinued operations	**882.1**	**14.3**	**(18.5)**	**877.9**

	PNG oil and gas interests 2008 $m	North Queensland gas pipeline 2008 $m	Chile 2008 $m	Total 2008 $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)
	(92.2)	5.2	(27.7)	(114.7)
Loss on disposal of operations (a)	–	–	(3.0)	(3.0)
Income tax income	–	–	30.4	30.4
	–	–	27.4	27.4
(Loss)/profit after tax from discontinued operations	(92.2)	5.2	(0.3)	(87.3)

(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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $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 lows from financing activities	**–**	0.6	**–**	–
Net cash flows from discontinued operations	**1,226.8**	190.0	**208.6**	132.0

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 $m	PNG oil and gas interests 2008 $m	North Queensland gas pipeline 2008 $m	Total 2008 $m
Assets				
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
Assets of disposal groups classified as held for sale	–	362.4	96.9	459.3
Liabilities				
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)
Liabilities of disposal groups classified as held for sale	–	(39.5)	(13.5)	(53.0)
Net assets of disposal groups classified as held for sale	–	322.9	83.4	406.3

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 and gas interests 2009 $m	North Queensland gas pipeline 2009 $m	Total 2009 $m	Chile 2008 $m	2009 $m	2008 $m
Assets						
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	–	–
	548.2	91.2	639.4	139.1	75.5	125.9
Liabilities						
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)	–	–
	(56.2)	(13.4)	(69.6)	(49.5)	–	–
Net assets disposed	492.0	77.8	569.8	89.6	75.5	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
Consideration received or receivable:						
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)
Total disposal consideration	1,185.8	100.9	1,286.7	74.0	100.6	74.0
Net assets disposed	(492.0)	(77.8)	(569.8)	(89.6)	(75.5)	(125.9)
	693.8	23.1	716.9	(15.6)	25.1	(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)
Net cash inflow on disposal:						
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

Note 11 – Dividends

	Consolidated		Parent Entity	
	2009 $m	2008 $m	2009 $m	2008 $m
Recognised amounts				
Final dividend 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
Interim dividend 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
Total dividends	236.1	225.6	236.1	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)
Dividends paid as per the cash flow statement	177.4	112.7	177.4	112.7
Unrecognised amounts 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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 12 – Cash and cash equivalents				
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
	623.1	63.8	**612.1**	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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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)	**–**	–
	590.6	562.7	**5.2**	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
	1,209.7	1,171.0	**16.4**	18.3

Allowance for doubtful debts

Movements in the allowance for doubtful debts are detailed below:

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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	**67.5**	43.4	**–**	–

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

	Consolidated 2009 Total $m	Consolidated 2009 Allowance $m	Consolidated 2008 Total $m	Consolidated 2008 Allowance $m	Parent Entity 2009 Total $m	Parent Entity 2009 Allowance $m	Parent Entity 2008 Total $m	Parent Entity 2008 Allowance $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)	**–**	**–**	–	–
	658.1	**(67.5)**	606.1	(43.4)	**5.2**	**–**	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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 14 – Inventories				
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
	51.2	38.7	**5.5**	1.2
Note 15 – Other financial assets (current)				
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
	357.9	1,197.3	**30.4**	289.6
Futures deposits and margin calls	**80.4**	13.6	**–**	–
	438.3	1,210.9	**30.4**	289.6
Note 16 – Other assets (current)				
Green commodities scheme certificates and instruments	**125.2**	85.4	**–**	–
Prepayments	**26.2**	12.2	**5.8**	1.7
	151.4	97.6	**5.8**	1.7
Note 17 – Non-current assets classified as held for sale				
Investment in a jointly controlled entity	**–**	71.2	**–**	64.2

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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 18 – Assets of disposal groups classified as held for sale				
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	**–**	–
Note 19 – Trade and other receivables (non-current)				
Other receivables	**0.7**	0.8	**–**	–
Note 20 – Investments accounted for using the equity method				
Investments in associates – listed	**–**	419.6	**–**	–
Investments in associates – unlisted	**166.4**	150.7	**–**	–
Investments in jointly controlled entities – unlisted	**16.2**	14.7	**–**	–
	182.6	585.0	**–**	–
Reconciliation of movements in investments accounted for using the equity method				
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	**182.6**	585.0	**–**	–

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

Name of entity	Principal activities	Country of incorporation	Reporting dates	Ownership interest 2009 %	Ownership interest 2008 %	Carrying value 2009 $m	Carrying value 2008 $m
Associates							
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	**32.5**	32.5	**163.0**	147.0
Gascor Pty Ltd	Victorian gas transmission	Australia	30 June	**33.3**	33.3	**0.9**	0.9
CSM Energy Limited	Coal mine methane gas extraction	Australia	30 June	**35.0**	35.0	**2.5**	2.8
Jointly controlled entities							
ActewAGL Retail Partnership	Energy and water services	Australia	30 June	**50.0**	50.0	**15.1**	14.0
Energy Infrastructure Management Pty Ltd (formerly North Queensland Pipeline Management Pty Ltd)	Pipeline management services	Australia	30 June	**50.0**	50.0	**0.7**	0.2
Central Queensland Pipeline Pty Ltd	Gas pipeline development	Australia	30 June	**50.0**	50.0	**0.4**	0.5
MWF JV Pty Limited	Wind farm development	Australia	30 June	**50.0**	50.0	**–**	–
						182.6	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	Consolidated 2008 $m
Summarised financial information of associates		
Current assets	**448.1**	1,288.5
Non-current assets	**3,619.6**	3,933.7
Total assets	**4,067.7**	5,222.2
Current liabilities	**327.5**	476.5
Non-current liabilities	**3,274.7**	3,361.3
Total liabilities	**3,602.2**	3,837.8
Net assets	**465.5**	1,384.4
Revenue	**1,080.7**	1,716.5
Net profit after tax	**72.0**	234.6
Consolidated entity's share of associates' profit	**26.0**	63.7
Summarised financial information of jointly controlled entities		
Current assets	**124.1**	100.3
Non-current assets	**32.0**	30.0
Total assets	**156.1**	130.3
Current liabilities	**114.2**	95.7
Non-current liabilities	**2.8**	0.6
Total liabilities	**117.0**	96.3
Net assets	**39.1**	34.0
Revenue	**571.6**	1,248.7
Expenses	**(517.0)**	(1,167.6)
Consolidated entity's share of jointly controlled entities' profit	**28.4**	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_2 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.

Note 21 – Exploration and evaluation assets

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Balance at beginning of financial year	**25.9**	66.2	**10.6**	11.8
Additions	**24.1**	9.4	**6.4**	4.2
Acquisitions through business combinations (Note 47)	**530.5**	–	**14.2**	–
Impairment loss	**–**	(5.4)	**–**	(5.4)
Transfer to oil and gas assets	**(10.6)**	–	**(10.6)**	–
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	**569.9**	25.9	**20.6**	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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Balance at beginning of financial year	**150.7**	505.1	**116.2**	104.4
Additions	**77.0**	57.0	**70.5**	21.3
Acquisitions through business combinations (Note 47)	**54.2**	–	**16.4**	–
Transfer from exploration and evaluation assets	**10.6**	–	**10.6**	–
Transfer from property, plant and equipment	**17.4**	–	**–**	–
Inter-entity transfer	**–**	–	**17.4**	–
Depreciation and amortisation expense	**(14.7)**	(74.2)	**(10.7)**	(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	**295.2**	150.7	**220.4**	116.2
Cost (gross carrying amount)	**335.1**	176.0	**249.0**	134.1
Accumulated depreciation, amortisation and impairment	**(39.9)**	(25.3)	**(28.6)**	(17.9)
Net carrying amount	**295.2**	150.7	**220.4**	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.

Note 23 – Property, plant and equipment

	Freehold land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Consolidated – year ended 30 June 2009				
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**
Balance at 1 July 2008				
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**
Balance at 30 June 2009				
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**
Consolidated – year ended 30 June 2008				
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
Balance at 1 July 2007				
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
Balance at 30 June 2008				
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 land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Parent Entity – year ended 30 June 2009				
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**
Balance at 1 July 2008				
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**
Balance at 30 June 2009				
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**
Parent Entity – year ended 30 June 2008				
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
Balance at 1 July 2007				
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
Balance at 30 June 2008				
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.

Note 24 – Intangible assets

	Goodwill $m	Licences $m	Customer relationships and contracts $m	Wind farm development rights $m	Other $m	Total $m
Consolidated – year ended 30 June 2009						
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**
Balance at 1 July 2008						
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**
Balance at 30 June 2009						
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**
Consolidated – year ended 30 June 2008						
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
Balance at 1 July 2007						
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
Balance at 30 June 2008						
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 $m	Licences $m	Customer relationships and contracts $m	Wind farm development rights $m	Other $m	Total $m
Parent Entity – year ended 30 June 2009						
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**
Balance at 1 July 2008						
Cost (gross carrying amount)	**–**	**–**	**63.7**	**–**	**–**	**63.7**
Accumulated amortisation	**–**	**–**	**(2.0)**	**–**	**–**	**(2.0)**
Net carrying amount	**–**	**–**	**61.7**	**–**	**–**	**61.7**
Balance at 30 June 2009						
Cost (gross carrying amount)	**–**	**–**	**63.7**	**–**	**–**	**63.7**
Accumulated amortisation	**–**	**–**	**(6.0)**	**–**	**–**	**(6.0)**
Net carrying amount	**–**	**–**	**57.7**	**–**	**–**	**57.7**
Parent Entity – year ended 30 June 2008						
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
Balance at 1 July 2007						
Cost (gross carrying amount)	–	–	–	–	–	–
Accumulated amortisation	–	–	–	–	–	–
Net carrying amount	–	–	–	–	–	–
Balance at 30 June 2008						
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 $m	Licences $m	Total intangible assets with indefinite lives $m
Consolidated – year ended 30 June 2009			
Cash-generating unit			
Retail and Merchant Energy	**2,624.4**	**301.2**	**2,925.6**
Consolidated – year ended 30 June 2008			
Cash-generating unit			
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).

Note 25 – Other financial assets (non-current)

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Investments in subsidiaries – at cost	**–**	–	**2,025.0**	1,628.0
Allowance for impairment in value	**–**	–	**(25.2)**	(25.2)
	–	–	**1,999.8**	1,602.8
Investments in associates – at cost	**–**	–	**109.0**	438.3
Investments in jointly controlled entities – at cost	**–**	–	**0.7**	0.7
	–	–	**2,109.5**	2,041.8
Available-for-sale investments – at fair value				
– Shares in listed entities	**1.2**	–	**1.2**	–
Loans to subsidiaries – at amortised cost	**–**	–	**5,731.2**	5,412.3
Allowance for impairment in value	**–**	–	**(194.1)**	(194.1)
	–	–	**5,537.1**	5,218.2
Loans to associates and jointly controlled entities – at amortised cost	**110.7**	99.3	**110.7**	99.3
	110.7	99.3	**5,647.8**	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	**0.1**	–	**0.1**	–
– Energy derivatives – cash flow hedges	**74.0**	343.3	**–**	–
	74.1	364.8	**0.1**	21.5
	186.0	464.1	**7,758.6**	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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 26 – Other assets (non-current)				
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**	–
	56.4	89.9	**2.1**	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	**–**	–
	800.8	852.0	**41.0**	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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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	**–**	–
	29.6	24.3	**8.0**	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
	444.0	770.4	**47.6**	320.5
Loans from subsidiaries – at amortised cost	**–**	–	**480.0**	480.0
	444.0	770.4	**527.6**	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.

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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 35 – Provisions (non-current)				
Employee benefits	**19.8**	17.6	**10.1**	0.1
Environmental restoration	**32.7**	26.9	**5.2**	2.0
Onerous contracts	**150.2**	157.0	**–**	–
Other	**0.2**	0.1	**–**	–
	202.9	201.6	**15.3**	2.1

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

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

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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 36 – Other financial liabilities (non-current)				
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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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 Number of shares	2009 $m	2008 Number of shares	2008 $m
Movement in fully-paid ordinary shares				
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 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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 39 – Reserves				
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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Foreign currency translation reserve				
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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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.

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
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

Note 41 – Earnings per share (EPS)

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

Earnings used in calculating basic and diluted earnings per share

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

Weighted average number of ordinary shares

	2009 No. millions	2008 No. millions
Weighted average number of ordinary shares used in the calculation of basic EPS	**445.8**	435.6
Effect of dilution – LTIP share performance rights	**0.5**	0.2
Weighted average number of ordinary shares used in the calculation of diluted EPS	**446.3**	435.8

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 42 – Capital and other expenditure commitments				
Capital expenditure commitments				
Property, plant and equipment				
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	**–**	–	**–**	–
	222.0	249.2	**–**	–
Consolidated entity's share of joint venture operations capital commitments				
Not later than one year	**–**	2.3	**–**	–
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	–	2.3	**–**	–
Consolidated entity's share of jointly controlled entities' capital commitments				
Not later than one year	**–**	0.5	**–**	–
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	–	0.5	**–**	–
Other expenditure commitments				
Consolidated entity's share of joint venture operations other expenditure commitments				
Not later than one year	**36.2**	1.3	**–**	–
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	36.2	1.3	**–**	–
Other – Information technology services				
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	**–**	–	**–**	–
	84.4	108.8	**–**	–

Note 43 – Lease commitments

Finance lease liabilities	Minimum future lease payments 2009 $m	Present value of payments 2009 $m	Minimum future lease payments 2008 $m	Present value of payments 2008 $m
Consolidated				
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	**9.6**	**9.6**	8.8	8.8
Included in the financial statements as:				
Current borrowings (Note 28)		**–**		–
Non-current borrowings (Note 34)		**9.6**		8.8
		9.6		8.8

* 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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Operating leases				
Non-cancellable operating lease rentals are payable as follows:				
Not later than one year	**17.2**	9.6	**3.3**	1.8
Later than one year but not later than five years	**44.5**	34.9	**14.5**	7.8
Later than five years	**37.2**	46.4	**17.0**	11.7
	98.9	90.9	**34.8**	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	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Guarantees and warranties in respect of subsidiaries	**–**	–	**576.3**	215.7
Contingent consideration under contract (a)	**–**	51.0	**–**	–
	–	51.0	**576.3**	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 2009 $000	Consolidated 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
Note 45 – Remuneration of auditors				
Auditor of the Parent Entity				
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	**–**	–
	1,585	2,112	**278**	225
Other auditors				
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 %	Ownership interest 2008 %
Note 46 – Subsidiaries				
Parent Entity				
AGL Energy Limited		Australia		
Subsidiaries				
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	(a)(b)	Australia	**100**	–
(formerly Lucas Energy Pty Ltd)				
AGL Gloucester MG Pty Ltd	(a)(b)	Australia	**100**	–
(formerly Molopo (Gloucester) NL				
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	(a)(b)	Australia	**100**	–
(formerly Allco Wind Energy Investments Pty Limited)				
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 2009 %	Ownership interest 2008 %
AGL Share Plan Pty Limited		Australia	**100**	100
AGL (SG) Pty Limited	(a)(b)	Australia	**100**	–
(formerly Sydney Gas Ltd)				
AGL (SG) (Camden) Operations Pty Limited	(a)(b)	Australia	**100**	–
(formerly Sydney Gas (Camden) Operations Pty Ltd)				
AGL (SG) (Hunter) Operations Pty Limited	(a)(b)	Australia	**100**	–
(formerly Sydney Gas (Hunter) Operations Pty Ltd)				
AGL (SG) (Wyong) Operations Pty Limited	(a)(b)	Australia	**100**	–
(formerly Sydney Gas (Wyong) Operations Pty Ltd)				
AGL (SG) Operations Pty Limited	(a)(b)	Australia	**100**	–
(formerly Sydney Gas Operations Pty Ltd)				
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		
Net assets acquired	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	Total fair value on acquisition $m
Assets											
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
Liabilities											
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
Consideration											
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 Power Station	North Queensland merchant gas and pipeline	
Net assets acquired	Fair value on acquisition $m	Fair value on acquisition $m	Total fair value on acquisition $m
Assets			
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
Liabilities			
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
Consideration			
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 2009 $000	Consolidated 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
Net cash outflow on acquisitions				
Cash paid including directly attributable costs	**632.3**	621.3	**628.2**	141.8
Cash and cash equivalent balances acquired	**(9.1)**	(1.2)	**–**	–
Net cash outflow on acquisitions	**623.2**	620.1	**628.2**	141.8

Note 48 – Jointly controlled operations and assets

Joint venture/area	Principal activities	Output interest 2009 %	Output interest 2008 %
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	**50.0**	50.0
Moranbah Exploration	Gas exploration	**50.0**	50.0
Galilee Basin	Gas exploration	**50.0**	–
Spring Gully Project	Gas production and exploration	**0.75**	–
Cooper Basin	Gas exploration and oil production	**35.0–37.5**	–
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	**50.0**	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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Current assets				
Cash and cash equivalents	**21.7**	4.0	**21.7**	3.1
Trade and other receivables	**6.5**	33.4	**6.5**	4.4
Inventories	**4.2**	2.2	**4.2**	1.2
Other assets	**5.8**	1.8	**5.8**	1.7
Assets of disposal groups classified as held for sale	**–**	459.3	**–**	–
Total current assets	**38.2**	500.7	**38.2**	10.4
Non-current assets				
Trade and other receivables	**–**	0.3	**–**	–
Exploration and evaluation assets	**–**	24.8	**–**	10.6
Oil and gas assets	**203.9**	150.7	**203.9**	116.2
Property, plant and equipment	**–**	33.9	**–**	–
Other assets	**–**	1.6	**–**	–
Total non-current assets	**203.9**	211.3	**203.9**	126.8
Total assets	**242.1**	712.0	**242.1**	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 $m	Closed Group 2008 $m
Consolidated income statement		
Profit before tax from continuing operations	**910.3**	19.7
Income tax (expense)/income	**(293.1)**	123.6
Profit after tax from continuing operations	**617.2**	143.3
Profit/(loss) after tax from discontinued operations	**877.9**	(63.3)
Profit after tax	**1,495.1**	80.0
Retained earnings at beginning of financial year	**469.8**	549.6
Dividends paid or provided	**(236.1)**	(225.6)
Adjustment for entities added to the deed of cross guarantee	**(2.0)**	83.4
Actuarial loss on defined benefit plans, net of tax	**(45.1)**	(9.7)
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
Retained earnings at end of financial year	**1,662.2**	469.8

	Closed Group 2009 $m	Closed Group 2008 $m
Consolidated balance sheet		
Current assets		
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
Total current assets	**2,137.9**	2,778.7
Non-current assets		
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
Total non-current assets	**6,657.1**	6,292.9
Total assets	**8,795.0**	9,071.6
Current liabilities		
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
Total current liabilities	**1,430.8**	1,531.6
Non-current liabilities		
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
Total non-current liabilities	**1,651.4**	2,614.9
Total liabilities	**3,082.2**	4,146.5
Net assets	**5,712.8**	4,925.1
Equity		
Issued capital	**4,030.3**	3,971.6
Reserves	**20.3**	483.7
Retained earnings	**1,662.2**	469.8
Total equity	**5,712.8**	4,925.1

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
Directors		
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
Executives		
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 $	2008 $	2009 $	2008 $
Remuneration by category				
Short-term employee benefits	**8,532,765**	8,001,213	**8,532,765**	8,001,213
Post-employment benefits	**731,047**	722,803	**731,047**	722,803
Termination benefits	**347,061**	6,168,840	**347,061**	6,168,840
Share-based payments	**1,947,816**	2,424,857	**1,947,816**	2,424,857
	11,558,689	17,317,713	**11,558,689**	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 Share performance rights	Balance at 1 July 2008	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Balance at 30 June 2009	Vested and exercisable at 30 June 2009	Vested but not exercisable at 30 June 2009
Directors							
Michael Fraser	**117,124**	**107,639**	**(4,442)**	**(2,163)**	**218,158**	**–**	**–**
Executives							
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**	**–**	**–**
	200,603	**150,466**	**(16,096)**	**(7,835)**	**327,138**	**–**	**–**

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
27 October 2008	**150,466**	**1 October 2008–1 October 2011**	**1 October 2011**	**$10.30**

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 Share performance rights	Balance at 1 July 2007	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Balance at 30 June 2008	Vested and exercisable at 30 June 2008	Vested but not exercisable at 30 June 2008
Directors							
Paul Anthony	187,801	–	(46,950)	(140,851)	–	–	–
Michael Fraser (b)	13,209	103,915	–	–	117,124	–	–
Executives							
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	–	–
	241,220	147,184	(46,950)	(140,851)	200,603	–	–

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 Ordinary shares	Balance at 1 July 2008	AGL Share Purchase Plan (a)	Dividend Reinvestment Plan (b)	Received on vesting of SPRs	Net change other	Balance at 30 June 2009	Balance held nominally
Directors							
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	–	–	–	–	–	–	–
Executives							
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 Ordinary shares	Balance at 1 July 2007	AGL Share Purchase Plan (a)	Dividend Reinvestment Plan (b)	Received on vesting of SPRs	Net change other	Balance at 30 June 2008	Balance held nominally
Directors							
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	–
Executives							
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), Equipsuper 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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Amounts recognised in the statement of recognised income and expense				
Actuarial loss incurred during the year and recognised in the statement of recognised income and expense				
Actuarial loss	**(64.5)**	(13.9)	**(23.8)**	(9.8)
Tax effect	**19.4**	4.2	**7.1**	2.9
Actuarial loss, net of tax	**(45.1)**	(9.7)	**(16.7)**	(6.9)
Cumulative actuarial loss recognised in the statement of recognised income and expense	**(47.9)**	(2.8)	**(16.7)**	–
Amounts recognised in the income statement				
Current service cost	**3.7**	4.9	**1.5**	2.7
Interest cost	**9.0**	8.3	**3.3**	3.3
Expected return on plan assets	**(10.5)**	(11.0)	**(4.6)**	(5.3)
Expense recognised in the income statement as part of employee benefits expense (Note 8)	**2.2**	2.2	**0.2**	0.7
Actual return on plan assets	**(22.3)**	(4.1)	**(8.0)**	(4.5)
Movements in the present value of the defined benefit obligations				
Opening defined benefit obligations	**154.7**	62.9	**55.1**	62.9
Liabilities assumed in a business combination	**–**	95.8	**–**	–
Current service cost	**3.7**	4.9	**1.5**	2.7
Interest cost	**9.0**	8.3	**3.3**	3.3
Contributions by plan participants	**3.2**	4.0	**1.1**	1.6
Actuarial loss/(gain)	**31.7**	(1.2)	**11.3**	–
Benefits paid	**(12.2)**	(15.2)	**(7.4)**	(11.7)
Taxes and premiums paid	**(1.7)**	(1.4)	**(0.2)**	–
Net transfers in	**0.4**	0.4	**0.4**	0.1
Settlements	**–**	(3.8)	**–**	(3.8)
Closing defined benefit obligations	**188.8**	154.7	**65.1**	55.1
Movements in the fair value of plan assets				
Opening fair value of plan assets	**158.5**	83.0	**65.8**	83.0
Assets acquired in a business combination	**–**	87.9	**–**	–
Expected return on plan assets	**10.5**	11.0	**4.6**	5.3
Actuarial loss	**(32.8)**	(15.1)	**(12.5)**	(9.8)
Employer contributions	**9.6**	7.7	**2.1**	1.1
Contributions by plan participants	**3.2**	4.0	**1.1**	1.6
Benefits paid	**(12.2)**	(15.2)	**(7.4)**	(11.7)
Taxes and premiums paid	**(1.7)**	(1.4)	**(0.2)**	–
Net transfers in	**0.4**	0.4	**0.4**	0.1
Settlements	**–**	(3.8)	**–**	(3.8)
Closing fair value of plan assets	**135.5**	158.5	**53.9**	65.8

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Assets and liabilities recognised in the Balance Sheet				
Fair value of plan assets	**135.5**	158.5	**53.9**	65.8
Present value of the defined benefit obligations	**(188.8)**	(154.7)	**(65.1)**	(55.1)
Net (liability)/asset at end of year	**(53.3)**	3.8	**(11.2)**	10.7
Defined benefit superannuation plan asset (Note 26)	**–**	10.7	**–**	10.7
Defined benefit superannuation plan liability (Note 37)	**(53.3)**	(6.9)	**(11.2)**	–
Net (liability)/asset at end of year	**(53.3)**	3.8	**(11.2)**	10.7
Net asset at beginning of year	**3.8**	20.1	**10.7**	20.1
Net liabilities assumed in a business combination	**–**	(7.9)	**–**	–
Expense recognised in the income statement	**(2.2)**	(2.2)	**(0.2)**	(0.7)
Amount recognised in retained earnings	**(64.5)**	(13.9)	**(23.8)**	(9.8)
Employer contributions	**9.6**	7.7	**2.1**	1.1
Net (liability)/asset at end of year	**(53.3)**	3.8	**(11.2)**	10.7
Historical information				
Present value of the defined benefit obligations	**(188.8)**	(154.7)	**(65.1)**	(55.1)
Fair value of plan assets	**135.5**	158.5	**53.9**	65.8
(Deficit)/surplus in plan	**(53.3)**	3.8	**(11.2)**	10.7
Experience adjustments on plan assets	**(32.8)**	(15.2)	**(12.6)**	(9.9)
Experience adjustments on plan liabilities	**(7.0)**	(4.2)	**(5.3)**	(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 2009 %	SSMT 2008 %	EF 2009 %	EF 2008 %	EISS 2009 %	EISS 2008 %
Australian equities	**31.4**	31.0	**36.0**	35.0	**29.0**	29.0
International equities	**28.6**	29.0	**25.0**	22.0	**21.0**	19.0
Fixed interest securities	**28.3**	27.0	**12.0**	13.0	**19.0**	14.0
Property	**6.7**	6.0	**11.0**	14.0	**16.0**	16.0
Cash	**4.0**	4.0	**6.0**	8.0	**6.0**	5.0
Other	**1.0**	3.0	**10.0**	8.0	**9.0**	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	**5.1**	5.9	**5.2**	5.9	**5.1**	5.9
Discount rate (after tax) pensioners	**–**	–	**–**	–	**5.5**	6.4
Expected return on plan assets – active members	**5.7**	7.5	**7.0**	7.0	**6.6**	6.4
Expected return on plan assets – pensioners	**–**	–	**–**	–	**8.0**	6.9
Expected salary increase rate	**4.0**	4.0	**4.0**	4.0	**4.0**	4.0
Expected pension increase rate	**–**	–	**–**	–	**3.0**	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 Number	Granted during the year Number	Fair value per share $	Distributed during the year Number	Balance at end of the year Number
2009					
20 September 2007	**64,638**	**–**	**–**	**(7,119)**	**57,519**
22 September 2008	**–**	**83,020**	**14.13**	**(6,160)**	**76,860**
	64,638	**83,020**		**(13,279)**	**134,379**
2008					
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 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Employee benefits expense	**1.2**	1.2	**1.2**	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 Number	Purchased during the year Number	Fair value per share $	Distributed during the year Number	Balance at end of the year Number
2009					
Non-Executive Directors	**44,888**	**37,787**	**14.63**	**–**	**82,675**
Managing Director and Chief Executive Officer (a)	**74,740**	**27,623**	**14.48**	**–**	**102,363**
Managing Director and Chief Executive Officer (b)	**–**	**38,222**	**13.74**	**–**	**38,222**
Employees	**18,162**	**38,243**	**14.46**	**(4,013)**	**52,392**
	137,790	**141,875**		**(4,013)**	**275,652**
2008					
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
2009						
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**	**–**
	219,678	**146,774**	**(48,395)**	**(14,046)**	**304,011**	**–**
2008						
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 27 Oct 08	2008 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 $m	2008 $m	2009 $m	2008 $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:

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 year:

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 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
2009						
25 February 2008	**80,584**	**–**	**–**	**–**	**80,584**	**–**
25 February 2008	**23,331**	**–**	**–**	**–**	**23,331**	**–**
27 October 2008	**–**	**107,639**	**–**	**–**	**107,639**	**–**
	103,915	**107,639**	**–**	**–**	**211,554**	**–**
2008						
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.

	Managing Director SPRs	
SPRs grant	27 Oct 08	25 Feb 08
Fair value at grant date	**$10.30**	$7.66
Share price at grant date	**$13.40**	$11.60
Expected volatility	**24.0%**	21.0%
SPR life	**3 years**	2.5 years
Expected dividend yield	**3.5%**	3.5%
Risk free interest rate (based on government bonds)	**4.3%**	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 $m	2008 $m	2009 $m	2008 $m
Employee benefits expense	**0.6**	0.4	**0.6**	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 $m	Consolidated 2008 $m
Other transactions between the consolidated entity and its related parties		
ActewAGL Retail Partnership		
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
Queensland Gas Company Limited		
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 petajules (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
Greater Energy Alliance Corporation Pty Limited		
Certain subsidiaries received/(paid) difference receipts from the settlement of electricity hedges on normal commercial terms and conditions	**(0.2)**	163.5

	Consolidated 2009 $m	Consolidated 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m
Note 54 – Cash flow information				
(a) Reconciliation of profit for the period to net cash flows from operating activities				
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) Subsidiaries and businesses acquired				
Net cash outflow on acquisition of subsidiaries and businesses (Note 47)	**623.2**	620.1	**628.2**	141.8
(c) Subsidiaries and businesses disposed				
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
(d) Reconciliation of cash and cash equivalents				
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
(e) Non-cash financing and investing activities				
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 38)	**58.7**	112.9	**58.7**	112.9
(f) Financing facilities				
The consolidated entity has access to the following committed bank facilities:				
Total facilities				
Bank loans – unsecured	**2,261.7**	3,314.2	**2,261.7**	3,314.2
Amounts used				
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
Amounts unused	**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 $m	Consolidated 2008 $m
Total borrowings	**1,120.2**	2,101.7
Cash and cash equivalents	**(623.1)**	(63.8)
Cash and cash equivalents attributable to discontinued operations	**–**	(9.4)
Net debt	**497.1**	2,028.5
Total equity	**5,845.7**	4,979.9
Less: hedging reserve	**(12.2)**	(524.9)
Adjusted equity	**5,833.5**	4,455.0
Net debt	**497.1**	2,028.5
Adjusted total capital	**6,330.6**	6,483.5
Gearing ratio	**7.9%**	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 $m	Consolidated 2008 $m
Profit before net financing costs	**2,068.2**	318.7
Depreciation and amortisation	**123.0**	168.6
Finance income included in EBITDA	**12.5**	24.0
EBITDA	**2,203.7**	511.3
Significant (income)/expense items	**(1,746.9)**	97.6
Changes in fair value of financial instruments	**336.3**	262.9
Operating EBITDA	**793.1**	871.8
Share of profits of associates and jointly controlled entities	**(50.4)**	(47.0)
Dividends from equity accounted investments	**27.0**	33.5
Income tax paid	**(61.7)**	(104.6)
Funds from operations (FFO)	**708.0**	753.7
Net financing costs	**81.5**	151.9
Finance income included in EBITDA	**12.5**	24.0
Finance costs capitalised	**21.8**	12.8
Unwinding of discounts on provisions	**(14.0)**	(14.6)
Net interest expense	**101.8**	174.1
FFO to interest expense cover (times)	**7.0**	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 Carrying amount $m	2009 Fair value $m	2008 Carrying amount $m	2008 Fair value $m
Financial assets – current				
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
	2,271.1	**2,271.1**	2,455.1	2,455.1
Financial assets – non-current				
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
	186.7	**186.7**	464.9	464.9
Total financial assets	**2,457.8**	**2,457.8**	2,920.0	2,920.0
Financial liabilities – current				
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
	1,244.8	**1,244.8**	1,622.4	1,622.4
Financial liabilities – non-current				
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
	1,198.2	**1,198.2**	2,152.7	2,152.7
Total financial liabilities	**2,443.0**	**2,443.0**	3,775.1	3,775.1

Parent Entity	2009 Carrying amount $m	2009 Fair value $m	2008 Carrying amount $m	2008 Fair value $m
Financial assets – current				
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
	658.9	**658.9**	341.0	341.0
Financial assets – non-current				
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	**–**	**–**	–	–
	5,649.1	**5,649.1**	5,339.0	5,339.0
Total financial assets	**6,308.0**	**6,308.0**	5,680.0	5,680.0
Financial liabilities – current				
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
	568.6	**568.6**	840.5	840.5
Financial liabilities – non-current				
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
	2,369.3	**2,369.3**	3,027.1	3,027.1
Total financial liabilities	**2,937.9**	**2,937.9**	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	
Floating rate instruments	2009 $m	2008 $m	2009 $m	2008 $m
Financial assets				
Cash and cash equivalents	**623.1**	63.8	**612.1**	33.1
Cash and cash equivalents attributable to discontinued operations	**–**	9.4	**–**	–
	623.1	73.2	**612.1**	33.1
Financial liabilities				
Bank loans	**1,104.1**	2,077.5	**1,104.1**	2,077.5
Other loans	**3.5**	3.3	**–**	–
Interest rate swap contracts	**(1,100.0)**	(1,100.0)	**(1,100.0)**	(1,100.0)
	7.6	980.8	**4.1**	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 fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	2009 %	2008 %	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated						
Less than 1 year	**6.5**	–	**1,100.0**	–	**(12.0)**	–
1 to 2 years	**–**	6.5	**–**	1,100.0	**–**	21.5
2 to 3 years	**6.5**	–	**275.0**	–	**(9.7)**	–
			1,375.0	1,100.0	**(21.7)**	21.5
Parent Entity						
Less than 1 year	**6.5**	–	**1,100.0**	–	**(12.0)**	–
1 to 2 years	**–**	6.5	**–**	1,100.0	**–**	21.5
2 to 3 years	**6.5**	–	**275.0**	–	**(9.7)**	–
			1,375.0	1,100.0	**(21.7)**	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	
Hedging reserve	2009 $m	2008 $m	2009 $m	2008 $m
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 Increase/(decrease)		Equity (Hedging reserve) Increase/(decrease)	
	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated				
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)
Parent Entity				
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	
Outstanding contracts	2009	2008	2009 FCm	2008 FCm	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated								
Buy US dollars								
Less than 6 months	**0.717**	0.836	**0.4**	1.0	**0.5**	1.2	**(0.1)**	(0.1)
6 to 12 months	**0.678**	–	**0.7**	–	**1.0**	–	**(0.1)**	–
1 to 2 years	**0.637**	–	**1.0**	–	**1.5**	–	**(0.3)**	–
2 to 3 years	**0.624**	–	**0.9**	–	**1.5**	–	**(0.2)**	–
Buy Japanese yen								
Less than 6 months	**81.99**	86.43	**197.2**	110.9	**2.4**	1.3	**0.1**	(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)
Buy Euro								
6 to 12 months	**0.506**	–	**0.2**	–	**0.4**	–	**–**	–
1 to 2 years	**0.495**	–	**0.5**	–	**1.0**	–	**(0.1)**	–
2 to 3 years	**0.484**	–	**0.3**	–	**0.7**	–	**(0.1)**	–
Buy British pounds								
6 to 12 months	**0.414**	–	**0.1**	–	**0.3**	–	**(0.1)**	–
1 to 2 years	**0.412**	–	**0.4**	–	**1.0**	–	**(0.1)**	–
2 to 3 years	**0.406**	–	**0.3**	–	**0.6**	–	**(0.1)**	–
Net investment hedges								
Sell US dollars								
Less than 6 months	**–**	0.937	**–**	280.0	**–**	298.8	**–**	(0.7)
							(1.1)	(2.5)
Parent Entity								
Buy US dollars								
Less than 6 months	**0.717**	0.836	**0.4**	1.0	**0.5**	1.2	**(0.1)**	(0.1)
6 to 12 months	**0.678**	–	**0.7**	–	**1.0**	–	**(0.1)**	–
1 to 2 years	**0.637**	–	**1.0**	–	**1.5**	–	**(0.3)**	–
2 to 3 years	**0.624**	–	**0.9**	–	**1.5**	–	**(0.2)**	–
Buy Japanese yen								
Less than 6 months	**81.99**	86.43	**197.2**	110.9	**2.4**	1.3	**0.1**	(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)
Buy Euro								
6 to 12 months	**0.506**	–	**0.2**	–	**0.4**	–	**–**	–
1 to 2 years	**0.495**	–	**0.5**	–	**1.0**	–	**(0.1)**	–
2 to 3 years	**0.484**	–	**0.3**	–	**0.7**	–	**(0.1)**	–
Buy British pounds								
6 to 12 months	**0.414**	–	**0.1**	–	**0.3**	–	**(0.1)**	–
1 to 2 years	**0.412**	–	**0.4**	–	**1.0**	–	**(0.1)**	–
2 to 3 years	**0.406**	–	**0.3**	–	**0.6**	–	**(0.1)**	–
Net investment hedges								
Sell US dollars								
Less than 6 months	**–**	0.937	**–**	280.0	**–**	298.8	**–**	(0.7)
							(1.1)	(2.5)

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	
Hedging reserve	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of financial year	**(1.2)**	(1.5)	**(1.2)**	(1.5)
Gain/(loss) from cash flow hedges taken to equity	**0.7**	0.4	**0.7**	0.4
(Gain)/loss transferred to plant and equipment	**–**	–	**–**	–
Income tax on items taken directly to or transferred from equity	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Balance at end of financial year	**(0.7)**	(1.2)	**(0.7)**	(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 Increase/(decrease)		Equity (Foreign currency translation reserve) Increase/(decrease)		Equity (Hedging reserve) Increase/(decrease)	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated						
US dollar +10%	–	–	–	18.3	0.3	(0.1)
US dollar –10%	–	–	–	(22.4)	(0.2)	0.1
Japanese yen +10%	–	–	–	–	0.2	(0.6)
Japanese yen –10%	–	–	–	–	(0.1)	0.8
Euro +10%	–	–	–	–	0.1	–
Euro –10%	–	–	–	–	(0.1)	–
British pound +10%	–	–	–	–	0.1	–
British pound –10%	–	–	–	–	(0.1)	–
Parent Entity						
US dollar +10%	–	(3.0)	–	–	0.3	(0.1)
US dollar –10%	–	3.7	–	–	(0.2)	0.1
Japanese yen +10%	–	–	–	–	0.2	(0.6)
Japanese yen –10%	–	–	–	–	(0.1)	0.8
Euro +10%	–	–	–	–	0.1	–
Euro –10%	–	–	–	–	(0.1)	–
British pound +10%	–	–	–	–	0.1	–
British pound –10%	–	–	–	–	(0.1)	–

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 $m	2008 $m	2009 $m	2008 $m
Energy derivative financial assets – current				
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
	357.9	1,197.3	30.4	289.6
Energy derivative financial assets – non-current				
Electricity derivatives – cash flow hedges	74.0	343.3	–	–
	74.0	343.3	–	–
Energy derivative financial liabilities – current				
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
	431.7	768.2	35.3	318.3
Energy derivative financial liabilities – non-current				
Electricity derivatives – cash flow hedges	48.4	12.5	–	–
	48.4	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	
Hedging reserve	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of financial year	**522.1**	2,314.8	**–**	–
Loss from cash flow hedges taken to equity	**(1,192.5)**	(1,280.5)	**–**	–
Loss/(gain) transferred to cost of sales	**464.4**	(1,508.3)	**–**	–
Loss transferred to revenue from sale of goods	**46.5**	62.5	**–**	–
Loss transferred to other expenses	**–**	154.7	**–**	–
Loss transferred to foreign currency translation reserve	**2.7**	–	**–**	–
Income tax on items taken directly to or transferred from equity	**184.3**	778.9	**–**	–
Balance at end of financial year	**27.5**	522.1	**–**	–
Cash flow ineffectiveness (loss)/gain recognised immediately in profit or loss	**(4.0)**	(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 Increase/(decrease)		Equity (Hedging reserve) Increase/(decrease)	
	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated				
Electricity forward price +10%	**74.8**	62.4	**133.8**	221.4
Electricity forward price –10%	**(76.7)**	(63.2)	**(131.7)**	(220.7)
Oil forward price +10%	**–**	(92.7)	**–**	(38.9)
Oil forward price –10%	**–**	(64.6)	**–**	(27.0)
Parent Entity				
Electricity forward price +10%	**(2.5)**	(5.1)	**–**	–
Electricity forward price –10%	**2.5**	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 6 months $m	6–12 months $m	1–2 years $m	2–5 years $m	More than 5 years $m
Consolidated					
2009					
Non-derivative financial liabilities					
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**	**–**	**–**
	821.9	**24.3**	**80.8**	**1,147.4**	**178.4**
2008					
Non-derivative financial liabilities					
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
Parent Entity					
2009					
Non-derivative financial liabilities					
Trade and other payables	**41.0**	**–**	**–**	**–**	**–**
Bank loans – unsecured	**21.1**	**24.3**	**55.2**	**1,147.4**	**–**
	62.1	**24.3**	**55.2**	**1,147.4**	**–**
2008					
Non-derivative financial liabilities					
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 6 months $m	6–12 months $m	1–2 years $m	2–5 years $m	More than 5 years $m
Consolidated					
2009					
Derivative financial instruments					
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)**
	(154.7)	**(33.8)**	**(133.3)**	**(82.0)**	**(1.1)**
2008					
Derivative financial instruments					
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)	–
	(257.3)	(157.6)	(154.8)	(87.9)	–
Parent Entity					
2009					
Derivative financial instruments					
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)**	**–**
	(21.3)	**(10.5)**	**(16.4)**	**(21.0)**	**–**
2008					
Derivative financial instruments					
Net settled					
– Forward foreign exchange contracts	(1.0)	(1.2)	(0.3)	–	–
– Electricity contracts	(6.3)	(9.6)	(13.7)	(41.2)	–
	(7.3)	(10.8)	(14.0)	(41.2)	–

(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

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
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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 Couttas
Partner
Chartered Accountants
Sydney, 20 August 2009

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
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Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Shareholding Information

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
	109,646	**100**

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
	109,646	**100**	**447,536,000**	**100**

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
	109,646	**100**	**447,536,000**	**100**

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

TWENTY LARGEST HOLDERS AS AT 11 AUGUST 2009	FULLY-PAID ORDINARY SHARES	% OF TOTAL ISSUED 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
	211,861,264	**47.34**

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
Website:	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. 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

Energy measurements

Gas energy units		Electricity energy units	
The basic unit of energy used in the gas industry is a joule.		The basic unit of energy used in the electricity industry is a watt hour.	
1 megajoule (MJ)	= 1 million joules	1 kilowatt hour (kWh)	= 1 thousand watt hours
1 gigajoule (GJ)	= 1 thousand megajoules	1 megawatt hour (MWh)	= 1 thousand kilowatt hours
1 terajoule (TJ)	= 1 million megajoules	1 gigawatt hour (GWh)	= 1 thousand megawatt hours
1 petajoule (PJ)	= 1 billion megajoules		
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.

AGL Energy Limited
ABN 74 115 061 375

Level 22, 101 Miller St
North Sydney NSW 2060

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

24 September 2009

Dear Shareholder,

I am pleased to invite you to attend the 2009 Annual General Meeting of Shareholders (AGM), which has been scheduled as follows:

Date: Thursday, 29 October 2009
Time: 10.30am
Venue: Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Melbourne

A map and transportation instructions (whether travelling by train, tram, car or taxi) follow, for your information.

The business to be dealt with at the AGM is provided on page 3 of this Notice of Meeting.

If you are able to attend the AGM, please bring the enclosed proxy form with you to facilitate registration at the AGM.

If you do not plan on attending the AGM, you are encouraged to appoint a proxy to attend and vote on your behalf by lodging your proxy appointment online at www.linkmarketservices.com.au or by completing the enclosed proxy form and returning it in the envelope provided. You are also able to specify that your proxy vote be cast as a direct vote. Instructions on how to appoint a proxy, and how to cast a direct vote, are detailed on the back of the proxy form. Proxies must be received no later than 10.30am (Sydney time) on Tuesday, 27 October 2009 to be valid for the AGM. Proxies may be lodged online or returned by mail or by fax on 02 9287 0309.

You are encouraged to let us know of any questions you may have before the AGM. Details of how to lodge those questions prior to the AGM are on the last page of this Notice.

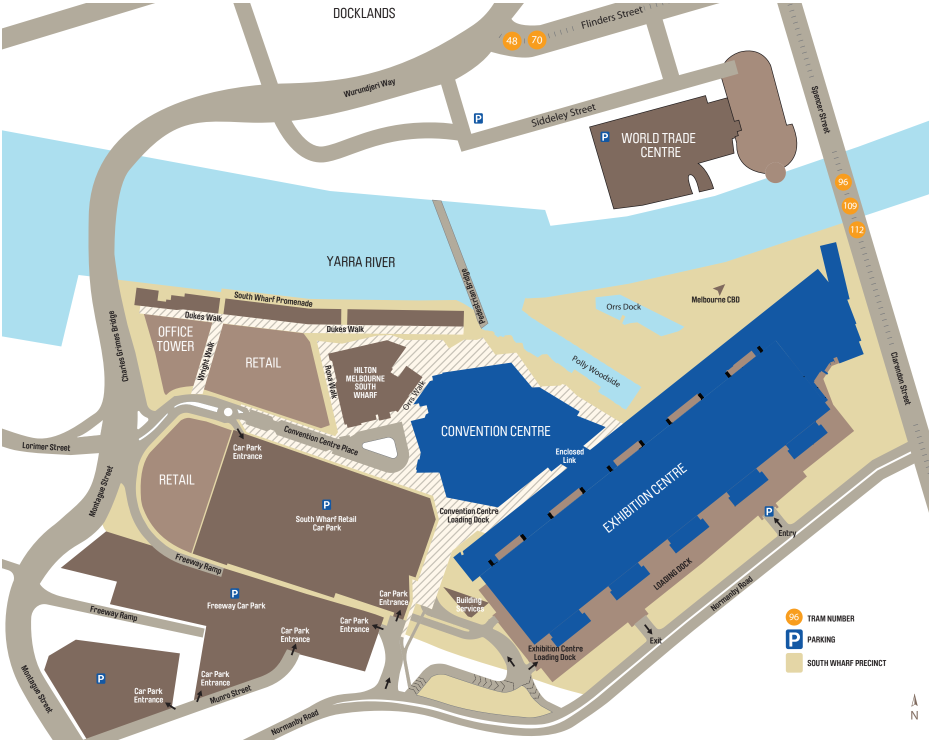
We look forward to seeing you at the AGM.

Yours sincerely

Mark Johnson
Chairman

HOW TO FIND THE MELBOURNE CONVENTION CENTRE

You can use the map below to find the nearest transport routes and the location of the Meeting – the **Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Melbourne**..



BY TRAIN

The Melbourne Convention Centre is a short walk from Southern Cross Station on Spencer Street.

BY CAR

Car parking is available underneath the Exhibition Centre, the entrance is off Normanby Road. Above ground parking is also available adjacent to the Convention Centre off Normanby Road.

ON FOOT

Walk along the concourse of the adjacent Exhibition Centre or across the new pedestrian footbridge.

BY TRAM

Tram numbers 96, 112 and 109 travel down Clarendon Street and stop at the entrance to the Melbourne Exhibition Centre.

BY TAXI

Your taxi can enter from 1 Convention Centre Place, South Wharf.

For more specific information about public transport routes and timetables, contact Metlink on 131638 or visit www.metlinkmelbourne.com.au.

ORDINARY BUSINESS

1. To receive and consider the Financial Report of the Company and the consolidated entity and the Reports of the Directors and Auditor for the financial year ended 30 June 2009.

2. To adopt the Remuneration Report for the financial year ended 30 June 2009, as set out in the Directors' Report section of the Annual Report.
   (Note – the vote on this resolution is advisory only and does not bind the Directors or the Company).

3. To elect Directors:

   (a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   'That Mr M G Ould, a Director who retires by rotation at the close of the Meeting in accordance with Clause 58 of the Company's constitution and being eligible, is re-elected as a Director of the Company.'

   (b) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   'That Mr L V Hosking, who has been appointed as a Director in accordance with clause 56.1 of the Company's constitution, be re-elected as a Director of the Company in accordance with clause 56.2 of the Company's constitution.'

   (c) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   'That Mr J V Stanhope, who has been appointed as a Director in accordance with clause 56.1 of the Company's constitution, be re-elected as a Director of the Company in accordance with clause 56.2 of the Company's constitution.'

By Order of the Board

Paul McWilliams
Company Secretary

24 September 2009

DETERMINATION OF ENTITLEMENT TO VOTE

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as Shareholders as at 7.00pm (Sydney time) on Tuesday, 27 October 2009.

PROXIES

Each Shareholder who is entitled to vote at the AGM may appoint a proxy, who need not be a Shareholder, to attend and vote at the AGM on the Shareholder's behalf. A Shareholder who is entitled to attend and cast two or more votes at the Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll.

Each Shareholder who is entitled to vote at the AGM may appoint a proxy and specify the way that the proxy is to vote in relation to a resolution and indicate that the specification is to be regarded as a direct vote. Except where the Directors have determined, prior to the Meeting, that direct voting will not be permitted in relation to a particular resolution, a direct vote on a resolution by a Shareholder will, if a poll is demanded (but not on a show of hands), be effective to cast, at the Meeting, the votes of the Shareholder as specified in the proxy form without the need for, or regardless of, any further action by the proxy and the proxy will therefore have no authority to vote on a poll on the resolution on the Shareholder's behalf.

A proxy form and, if the proxy form is not signed by the Shareholder, the power of attorney or other authority (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company at least 48 hours before the time for holding the Meeting – that is, by 10.30am (Sydney time) on Tuesday, 27 October 2009. Documents may be lodged with the Company by:

(i) appointing a proxy online at the AGL Share Registry's website: www.linkmarketservices.com.au

or

(ii) posting them in the accompanying reply-paid envelope to:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

or

(iii) sending them by fax to the AGL Share Registry on 02 9287 0309

or

(iv) delivering them to the AGL Share Registry located at:

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

CORPORATE REPRESENTATIVES

A company wishing to appoint a person to act as its representative at the Meeting must provide that person with a letter executed in accordance with the company's constitution and the Corporations Act 2001 (Cth) authorising him or her to act as the Shareholder's representative.

EXPLANATORY NOTES

ORDINARY BUSINESS

ITEM 1

To receive and consider the Financial, Directors' and Auditor's Reports for the financial year ended 30 June 2009.

Shareholders have been notified that the AGL Annual Report 2009 can be found on the Company's website (www.agl.com.au) under 'Investor Centre' and have been given the option of having a printed copy of the Report sent to them. The Report has been sent to those Shareholders who have requested it. During discussion of this item, there will be an opportunity for Shareholders to ask questions about, or comment on, the Report and the management and performance of the Company.

ITEM 2

Adoption of the Remuneration Report for the financial year ended 30 June 2009.

The Company is required under the Corporations Act 2001 (Cth) to include, in the business of its AGM, a resolution that its Remuneration Report for the financial year ended 30 June 2009 be adopted. The resolution is advisory only and does not bind the Directors or the Company. During discussion of this item, there will be an opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report.

The Remuneration Report is set out in the Directors' Report section of the AGL Annual Report 2009. The Remuneration Report:

› sets out the Company's policy in respect of remuneration paid to the Board, the Managing Director and senior Executives;

› explains how Directors' fees are determined within the aggregate limit approved by Shareholders;

› describes the elements of remuneration paid to the Managing Director and senior Executives, the links to Company and individual performance and the criteria used to assess performance; and

› sets out the remuneration details for each Director and specified Executives.

The Directors recommend that Shareholders vote in favour of Item 2.

ITEM 3

Election of Directors.

(a) Mr Max Ould

Max Ould BEc **- Age 62**

Term: Non-executive Director since February 2006.

Independent: Yes.

Committees: Chairman of the People and Performance Committee.

Directorships: Chairman of Goodman Fielder Limited (commenced as a Director in 2005 and appointed Chairman in September 2006). Director of Pacific Brands Limited (commenced in 2004) and Foster's Group Limited (commenced in 2004).

Experience: Mr Ould was previously Managing Director of National Foods Limited and a Director of The Australian Gas Light Company (commenced in 2004 and retired in October 2006).

The Directors (excluding Mr Max Ould) recommend that Shareholders vote in favour of Item 3(a).

(b) Mr Les Hosking

Les Hosking - Age 64

Term: Non-executive Director since November 2008.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, and the Safety, Sustainability and Corporate Responsibility Committee (from July 2009).

Directorships: Director of Adelaide Brighton Limited (commenced in 2003), Innovation Australia (commenced in 2003), Australian Energy Market Operator (Transition) Limited (AEMO) (from November 2008 to June 2009) and of the Australian Energy Market Operator (AEMO) (commencing 1 July 2009).

Experience: Mr Hosking was previously Managing Director and Chief Executive Officer of the National Electricity Market Management Company (NEMMCo) (from 2003 to 2008) and was a non-executive Director of NEMMCo (from 1996 to 2003). He has over 30 years' experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (from 1985 to 2000). As Chief Executive Officer of Axiss Australia (from 2000 to 2003), he developed and implemented a strategy for the Australian Government to position Australia as a centre for global financial services.

The Directors (excluding Mr Les Hosking) recommend that Shareholders vote in favour of Item 3(b).

(c) Mr John Stanhope

John Stanhope BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM **– Age 58**

Term: Non-executive Director since March 2009.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee.

Directorships: Executive Director of Telstra Corporation Limited (commenced in May 2009). Chairman of the Business Coalition for Tax Reform and a member of the Financial Reporting Council.

Experience: Mr Stanhope was appointed as Chief Financial Officer and Group Managing Director, Finance and Administration of Telstra in October 2003. In this role he is responsible for finance, treasury, risk management and assurance, productivity, corporate services and billing. Mr Stanhope previously served as Director, Finance. In this role, which he assumed in 1995, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures.

The Directors (excluding Mr John Stanhope) recommend that Shareholders vote in favour of Item 3(c).

QUESTIONS FROM SHAREHOLDERS

AGL Energy Limited (AGL) aims to ensure that Annual General Meetings and the Annual Report meet Shareholders' expectations. Your views are essential to this.

If you would like further information on AGL, or would like to ask a question of AGL or the Auditor at this AGM, you may lodge your questions online by visiting the AGL Share Registry's website www.linkmarketservices.com.au or by completing the enclosed form and returning it in the enclosed reply paid envelope.

Questions for the AGM should be relevant to the business of the Meeting, and may include questions relating to the financial or other statutory reports or the motions before the Meeting, or general questions on AGL's management or performance, or questions to the Auditor concerning the content of the Auditor's Report or the conduct of the audit.

Questions for the AGM (including written questions to the Auditor) must be received at any of the addresses below by 5.00pm on Thursday, 22 October 2009.

The Chairman of the Meeting will answer as many of the frequently asked questions as possible.

The AGM will be webcast live at www.agl.com.au and a copy of the Chairman's speech will be available on the AGL website.

In accordance with the *Corporations Act 2001* (Cth), Shareholders will also be given a reasonable opportunity, as a whole, to:

› ask questions about, or make comments on, the management of the Company and the Remuneration Report, at the Meeting; and

› ask the Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the Auditor, at the Meeting.

If you would like to make a suggestion or comment on the Annual Report, please advise the Company in one of the following ways (this will allow us to incorporate your views into the content and design of future Annual Reports):

› **Online** at the AGL Share Registry's website www.linkmarketservices.com.au

› **Write** to the AGL Share Registry or Company Secretary by completing the enclosed form and sending it to the Share Registry in the enclosed reply paid envelope to:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

or post to:

Company Secretary
AGL Energy Limited
Locked Bag 1837
St Leonards NSW 2065

› **Fax** to the AGL Share Registry on fax number 02 9287 0309

AGL Energy Limited
ABN 74 115 061 375

Level 22, 101 Miller St
North Sydney NSW 2060

Energy in action.®

AGL Energy Limited
ABN 74 115 061 375

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1800 824 513
From outside Australia: +61 2 8280 7115
Facsimile: +61 2 9287 0303
ASX Code: AGK
Email: aglenergy@linkmarketservices.com.au
Website: www.agl.com.au

A better way to access your information and help the environment

Every year we are required to communicate information to Shareholders, including Annual Reports, notices of meetings and other advices.

The Corporations Act allows AGL to make its Annual Report available on a web site and provide hard copy Annual Reports only to those Shareholders who elect to receive them in that form, subject to certain administrative requirements.

We will make the Annual Report available online and will notify you how to access it. A printed version of the Annual Report will only be sent to Shareholders electing to receive one by marking the relevant box below.

In addition, we are also offering you the opportunity to receive notification of your Shareholder communications via email. We believe everyone benefits from electronic Shareholder communication – Shareholders receive prompt information and have the convenience and security of electronic delivery, there are significant cost savings and our communications are environmentally friendly.

How to nominate your method of communication

- **Hard copy** – by completing this form and returning it to us in the reply paid envelope.
- **Online** – by visiting the Share Registry website at **www.agl.com.au**

OPTIONS – select one only

Please select **one option only**

☐ 1. Yes, I would like to receive **my Shareholder communications** electronically. This may include company announcements, dividend statements, notices of Shareholder meeting documents and details of how to access the Annual Report on the AGL website. I have provided my email address below.

☐ 2. Yes, I would like to receive **my Shareholder communications electronically, except the Dividend Statement.** I have provided my email address below.

My email address is:

☐ 3. **Please mail me a printed version** of the AGL Annual Report.

Privacy Clause: Link Market Services Limited advises that the Corporations Act requires information about you as a Shareholder (including your name, address and details of the shares you hold) to be included in AGL's share register. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to AGL. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

AGL Energy Limited
ABN 74 115 061 375

LODGE YOUR VOTE

By mail:
AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

ONLINE www.linkmarketservices.com.au

All enquiries to:
Telephone: 1800 824 513
Overseas: +61 2 8280 7115

APPOINTMENT OF PROXY

I/We being a Shareholder(s) of AGL Energy Limited (AGL) and entitled to attend and vote hereby:

STEP 1 APPOINT A PROXY

the **Chairman of the Meeting (mark box)** ☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered Shareholder) you are appointing as your proxy below

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of AGL to be held at 10:30am on Thursday, 29 October 2009, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Melbourne and at any adjournment or postponement of the Meeting.

STEP 2 DIRECT VOTE

☐ mark this box if you would like your proxy vote to constitute a direct vote.

a direct vote on a resolution by a Shareholder will, if a poll is demanded (but not on a show of hands), be effective to cast, at the meeting, the votes of the Shareholder on the resolution as specified in this proxy form without the need for, and regardless of, any further action by the proxy.

Voting directions will only be valid and accepted by AGL if they are signed and received no later than 48 hours before the Meeting.
The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.
Please read the voting instructions overleaf before marking any boxes with an X

STEP 3 VOTING DIRECTIONS

	For	Against	Abstain[1]
Resolution 2 Adopt the Remuneration Report	☐	☐	☐
Resolution 3(a) Re-Election of Mr M G Ould as a Director	☐	☐	☐
Resolution 3(b) Re-Election of Mr L V Hosking as a Director	☐	☐	☐
Resolution 3(c) Re-Election of Mr J V Stanhope as a Director	☐	☐	☐

[1] If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 4 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the Shareholder. If a joint holding, either Shareholder may sign. If signed by the Shareholder's attorney, the Power of Attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001*.

AGK PRX903

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on AGL's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Voting under Step 1 – Appoint a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of AGL. A proxy may be an individual or a body corporate.

Voting Under Step 2 - Direct Vote

If you tick the box under Step 2 then you are indicating that you wish your proxy vote to constitute a direct vote. A direct vote on a resolution by a Shareholder will, if a poll is demanded (but not on a show of hands), be effective to cast, at the meeting, the votes of the Shareholder on the resolution as specified in this proxy form without the need for, and regardless of, any further action by the proxy.

If no voting directions are given on any resolution then your vote may be passed to the Chairman of the Meeting as your proxy.

Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. If your proxy votes on an item, all your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one of the for, against or abstain boxes on an item your vote on that item will be invalid.

Appointment of a Second Proxy

If you are entitled to cast two or more votes at the Meeting, you may appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning AGL's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first proxy form and the second proxy form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either Shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting, the appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from AGL's share registry.

Lodgement of a proxy form

This proxy form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:30am on Tuesday, 27 October 2009, being not later than 48 hours before the commencement of the Meeting. Any proxy form received after that time will not be valid for the scheduled Meeting.

Proxy forms may be lodged using the reply paid envelope or:

by mail:

AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

by fax:

+61 2 9287 0309

online: ONLINE **www.linkmarketservices.com.au**

lodging it online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website);

by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the AGM, please bring this form with you.
This will assist in registering your attendance.

AGL Energy Limited
ABN 74 115 061 375

LODGE YOUR QUESTIONS

By mail:
AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

ONLINE www.linkmarketservices.com.au

All enquiries to:
Telephone: 1800 824 513
Overseas: +61 2 8280 7115

AREAS OF INTEREST TO SHAREHOLDERS

Your concerns as Shareholders are important to us. Please use this form to submit any questions about AGL Energy Limited (AGL) that you would like us to respond to at the AGL 2009 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the Meeting, as outlined in the accompanying Notice of Meeting and Explanatory Notes. If your question is for AGL's Auditor it should be relevant to the content of the Auditor's Report, or the conduct of the audit of the Financial Report.

This form must be received by AGL's Share Registrar, Link Market Services Limited, by 5.00pm on Thursday, 22 October 2009.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised Shareholder topics as possible and, where appropriate, will give a representative of AGL's Auditor the opportunity to answer written questions submitted to the Auditor. However, there may not be sufficient time available at the Meeting to address all topics raised. Please note that individual responses will not be sent to Shareholders.

Question(s)

1. Question is for the ☐ Chairman, or ☐ Auditor

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2. Question is for the ☐ Chairman, or ☐ Auditor

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3. Question is for the ☐ Chairman, or ☐ Auditor

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