

Appendix 4E

AGL Energy Limited

ABN 74 115 061 375

Preliminary Final Report

Results for announcement to the market for the year ended 30 June 2008

Extracts from this report for announcement to the market

\$A Million

Revenue	Up	50.1%	To	5,653.5
Profit after tax attributable to shareholders (Statutory)	Down	44.2%	To	229.0
Underlying profit after tax attributable to shareholders	Up	7.6%	To	355.5
Dividends		Amount per ordinary share		Franked amount per ordinary share
Final dividend		27.0¢		27.0¢
Interim dividend		26.0¢		26.0¢
Record date for determining entitlements to the dividends:				
Final dividend	4 September 2008 and payable on 26 September 2008			
Interim dividend	27 March 2008 and paid on 16 April 2008			
Brief explanation of revenues, profit after tax and dividends:				
<p>Profit after tax of \$229.0 million includes a loss of \$184.6 million from the changes in the fair value of financial instruments and a profit of \$62.6 million from significant items. Excluding the after tax impact of changes in the fair value of financial instruments and significant items, profit after tax was \$351.0 million. AGL Energy Limited (AGL) also makes certain pro-forma adjustments that add \$4.5 million to profit after tax, lifting the underlying profit to \$355.5 million. Underlying profit is reported by AGL to give information to shareholders that provides a greater understanding of the underlying business performance of its operations.</p> <p>An analysis of these results is in the Directors' Report of the preliminary final report attached to this announcement.</p>				

AGL obtained control of certain subsidiaries at various times throughout the previous corresponding period as a consequence of the internal restructuring that took place in preparation for the demerger of AGL from The Australian Gas Light Company. As a result, the previous corresponding period Income Statement, Cash Flow Statement and Statement of Recognised Income and Expense presented in the financial report contain the results of those subsidiaries only from the date control was obtained and not for the full year and therefore is not directly comparable with the financial information for the current period.

AGL Energy Limited and Subsidiaries
Preliminary Final Report
For the year ended 30 June 2008

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Directors' Report for the year ended 30 June 2008 (incorporating the commentary by Directors and dividend announcement made to the Australian Securities Exchange Limited on 20 August 2008)

The Directors report on the AGL Energy Limited (AGL) consolidated entity for the year ended 30 June 2008 in accordance with the Corporations Act 2001.

Results

	30 June 2008	30 June 2007
	\$m	\$m
Profit after tax from continuing operations	316.3	354.2
(Loss)/profit after tax from discontinued operations	(87.3)	56.3
Profit after tax attributable to shareholders (Statutory)	229.0	410.5
Adjust for the following after tax items:		
Assume demerger occurred on 1 July 2006	-	116.9
Significant items	(62.6)	85.9
Changes in fair value of financial instruments	184.6	(287.7)
Pro-forma adjustments	4.5	4.8
Underlying Profit	355.5	330.4

Profit after tax from continuing operations excludes the contributions from GasValpo, PNG oil and gas assets and the North Queensland gas pipeline business.

Profit after tax from discontinued operations is the consolidated results of GasValpo, PNG oil and gas assets and the North Queensland gas pipeline business.

Profit after tax attributable to shareholders (Statutory) is the combined profit after tax from continuing operations and discontinued operations.

Underlying Profit is the Statutory profit adjusted for significant items, changes in fair value of financial instruments and certain other pro-forma adjustments. For the year ended 30 June 2007, it also assumes the demerger occurred on 1 July 2006. AGL believes that Underlying Profit provides a better understanding of the financial performance of the company and it allows for more relevant comparison of financial performance between financial years.

Earnings per Share

Earnings per share calculated on the profit after tax attributable to shareholders (Statutory) were 52.6 cents compared with 148.5 cents in the previous corresponding period.

Earnings per share calculated on the Underlying Profit attributable to shareholders were 81.6 cents compared with 78.4 cents in the previous corresponding period.

Final Dividend

The Directors have declared a fully franked final dividend of 27.0 cents per share for the year, which will be paid on 26 September 2008 (compared with 26.0 cents in the previous corresponding period). The record date to determine shareholders' entitlements to the final dividend is 4 September 2008 and shares will commence trading ex-dividend on 29 August 2008.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and the Directors have determined that a discount of 2.5% will be applied when determining the DRP price for the final dividend. 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.

AGL Energy Limited and Subsidiaries
Financial Commentary – Discussion and Analysis of Financial Statements

The following table provides a detailed reconciliation of the Statutory results to the Underlying Profit

	Continuing operations		Profit after tax (Statutory)		Total		Profit after tax (Underlying Profit)	
	2008	2007	Discontinued operations		2008	2007	Total	
	\$m	\$m	2008	2007	\$m	\$m	2008	2007
EBITDA (before significant items and financial instruments)	674.8	349.1	173.0	209.0	847.8	558.1	847.8	719.1
Finance income included in EBITDA	-	-	-	-	-	-	24.0	28.1
Operating EBITDA							871.8	747.2
Depreciation and amortisation	(102.3)	(74.6)	(66.3)	(88.9)	(168.6)	(163.5)	(168.6)	(172.5)
EBIT (before significant items and financial instruments)	572.5	274.5	106.7	120.1	679.2	394.6	703.2	574.7
Significant (expense)/income items	97.1	(122.4)	(194.7)	(0.3)	(97.6)	(122.7)	-	-
Changes in fair value of financial instruments	(270.5)	409.5	7.6	5.0	(262.9)	414.5	-	-
Operating EBIT	399.1	561.6	(80.4)	124.8	318.7	686.4	703.2	574.7
Finance income	36.5	34.1	2.7	2.8	39.2	36.9	39.2	42.2
Finance income included in Operating EBITDA	-	-	-	-	-	-	(24.0)	(28.1)
Finance costs	(187.6)	(130.9)	(3.5)	(1.3)	(191.1)	(132.2)	(191.1)	(112.8)
Net financing costs	(151.1)	(96.8)	(0.8)	1.5	(151.9)	(95.3)	(175.9)	(98.7)
Profit before tax	248.0	464.8	(81.2)	126.3	166.8	591.1	527.3	476.0
Tax income/(expense)	68.3	(110.6)	(6.1)	(70.0)	62.2	(180.6)	(176.3)	(150.4)
Profit after tax attributable to shareholders	316.3	354.2	(87.3)	56.3	229.0	410.5	351.0	325.6
Pro-forma adjustments								
PNG depreciation and amortisation							(10.0)	-
Customer accounts amortisation							14.5	4.8
Underlying Profit							355.5	330.4

Underlying Profit adjusts to:

1. Remove the impact of significant items.
2. Remove the impact of changes in fair value of financial instruments.
3. Include the impact of pro-forma adjustments.

1. Significant Items

	30 June 2008		30 June 2007	
	Pre-tax	PAT	Pre-tax	PAT
	\$m	\$m	\$m	\$m
QGC share of profits and deemed gain on dilution	82.6	75.9	-	-
Divestment of non-core businesses	(34.0)	(22.5)	-	-
Impairment of non-current assets	(83.1)	(69.3)	(27.2)	(19.1)
Demerger adjustments	(22.3)	81.0	(58.2)	(40.7)
Phoenix change program costs	(29.1)	(20.4)	-	-
Redundancy, termination and integration costs	(11.7)	(8.2)	(37.3)	(26.1)
Tax on derivative financial instruments	-	26.1	-	-
Total significant items	(97.6)	62.6	(122.7)	(85.9)

QGC share of profits and deemed gain on dilution

Queensland Gas Company Limited ("QGC") announced on 4 February 2008 that it had formed an alliance with BG Group, which included the sale of 20% of QGC's interests in the Walloons coal seam gas acreage. AGL's equity accounted share of profit from this transaction was \$60.3 million.

As part of the same transaction, QGC issued 81.3 million shares to BG Group and, as a result, AGL's interest in QGC was diluted. This dilution resulted in a deemed disposal gain of \$22.3 million.

The after tax impact of these transactions was a gain of \$75.9 million.

Divestment of non-core businesses

AGL disposed of its 33.0% ownership interest in AlintaAGL Pty Limited on 12 December 2007. The sale of the investment resulted in a pre-tax profit of \$123.7 million and an after tax profit of \$86.4 million.

AGL disposed of its ownership in GasValpo, a Chilean gas distribution business, on 30 April 2008. The sale of GasValpo resulted in a pre-tax loss of \$3.0 million. After tax the disposal resulted in a gain of \$27.4 million due largely to the tax benefit of capital losses.

AGL has classified its PNG investment as an asset held for sale. Under AASB 139, AGL can no longer designate as cash flow hedges oil derivatives that mature beyond the expected disposal date. As at 30 June 2008, the fair value loss of oil derivatives in the income statement that would have previously been recognised in equity was \$154.7 million. This has created a deferred tax asset of which \$59.0 million is expected to be unrecoverable. The after tax impact of the fair value redesignation and the unrecoverable deferred tax asset was a loss of \$136.3 million.

Impairment of non-current assets

AGL has reviewed the recoverable amount of its information technology related 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 charge of \$34.6 million before tax has been recognised (\$24.2 million after tax).

AGL relocated its head office from St Leonards in June 2008 and has written down the carrying value of leasehold improvements by \$20.2 million. Partially offsetting this write off was the reversal of an initial lease incentive of \$17.7 million. As a result the net write down was \$2.5 million before tax and \$1.8 million after tax.

The carrying values of certain landfill gas extraction sites and a co-generating gas turbine within the Merchant Energy business have been written down by \$3.6 million based on revised cash flow forecasts. The after tax write down was \$2.5 million

AGL reassessed the carrying value of development and evaluation expenditure relating to a coal seam methane drilling project in the Gas and Power Development business. Owing to the uncertainty around the viability of the project, AGL has recognised an impairment charge of \$5.4 million before tax and \$3.8 million after tax.

At 31 December 2007, the carrying value of the GasValpo natural gas distribution operations in Chile was assessed for indicators of impairment. As a result, an impairment charge of \$37.0 million has been recognised on goodwill, other intangible assets and property, plant and equipment. The after tax cost of this impairment charge was also \$37.0 million.

Demerger adjustments

Following the demerger, AGL moved from its St Leonards head office in June 2008. AGL has provided for costs relating to this relocation of \$5.5 million before tax and \$3.9 million after tax.

During the period ending 30 June 2008 AGL and Alinta shared certain operational systems. AGL's share of the costs of separating the systems to allow them to operate independently was \$7.0 million. The after tax cost was \$4.9 million.

AGL and Alinta jointly contract IBM to operate systems and infrastructure until AGL and Alinta are able to exit from these systems and infrastructure. The cost of running this shared bureau was \$8.0 million before tax and \$5.6 million after tax.

Other write-offs totalling \$1.8 million before tax and \$1.2 million after tax occurred following the demerger.

Following the demerger on 25 October 2006, the AGL Energy Limited tax consolidated group was formed. Certain adjustments to the deferred tax balances occurred due to the resetting of the tax bases of assets. These adjustments resulted in a tax benefit of \$80.1 million.

Adjustments for the pre-demerger period 1 July 2006 to 25 October 2006 has resulted in a \$16.5 million reduction in AGL's expected tax liability. This benefit was recognised in tax expense.

Phoenix change program one-off costs

One-off costs totalling \$25.5 million have been incurred in implementing the Phoenix change program. These one-off costs included additional labour costs and the temporary establishment of an additional call centre. After tax the cost was \$17.9 million.

Reconciliation of legacy systems to SAP during the Phoenix change program identified prior year reconciling balances that were required to be written off. The total write-off was \$3.6 million before tax and \$2.5 million after tax.

Redundancy, termination and integration costs

Redundancy and termination costs of \$11.1 million were incurred during the year. Integration costs of \$0.6 million associated with integrating SunGas and Powerdirect were also incurred.

The after tax cost of these two items was \$8.2 million.

Tax benefit on derivative financial instruments consideration

As a part of the consideration for Torrens Island Power Station ("TIPS"), AGL entered into derivative contracts with TRUenergy. At the time of settlement the fair value of the derivatives was a liability of \$96.8 million and gave rise to a credit to tax expense of \$26.1 million.

2. Changes in Fair Value of Derivative Financial Instruments

AGL uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate, electricity purchase price and United States dollar oil price risks arising in the normal course of business. All derivative financial instruments transacted are economic hedges but may not be “effective” hedges for accounting purposes.

Accounting standards require that economic hedges can only be treated as “effective” hedges where the change in the fair value of the item being hedged and the change in the fair value of the derivative instrument substantially offset each other. In these circumstances the change in the fair value of the derivative instrument is reported in equity in the hedge reserve. When the item being hedged is settled, the cumulative change in the fair value of the derivative is transferred from the hedged reserve to offset the financial impact on the Income Statement of the item being hedged.

All other economic hedges are deemed to be “ineffective” hedges and consequently these hedges can create substantial volatility in the earnings of AGL during periods of volatile prices.

The change in fair value of financial instruments recognised in profit and loss for the year for both continued and discontinued operations was a loss of \$262.9 million before tax. This was mainly due to derivative contracts which were deemed to be ineffective hedges which did not qualify for hedge accounting under Australian Accounting Standards.

A reconciliation of the balance sheet movement in the derivative balances to the amount included in the income statement is presented in the following table:

	Net Assets (Liabilities)		
	30 June 2008	30 June 2007	Change
	\$m	\$m	\$m
Electricity derivative contracts	1,007.4	3,965.3	(2,957.9)
Oil derivative contracts	(247.5)	(21.8)	(225.7)
Interest rate swap and foreign currency contracts	19.0	9.7	9.3
	778.9	3,953.2	(3,174.3)
Change in net assets	(3,174.3)		
Premiums paid	(127.7)		
Equity accounted fair value	(7.4)		
Less:			
premium roll off	179.9		
derivatives acquired and assumed on acquisition	149.6		
	(2,979.9)		
Change in fair value:			
derecognition of cash flow hedges on PNG oil derivatives	(154.7)		
recognised in equity hedge reserve	(2,556.4)		
recognised in foreign currency translation reserve	(5.9)		
recognised in profit and loss	(262.9)		
	(2,979.9)		

3. Pro-Forma Adjustments

AGL has made two pro-forma adjustments to the Statutory results.

Firstly, due to the reclassification of PNG as an asset held for sale, AGL did not charge the income statement with any depreciation or amortisation relating to the PNG assets from 1 May 2008, the date the asset was deemed to be held for sale. For the year ending 30 June 2008 the net impact of the reduced depreciation and amortisation was to increase profit by \$10.0 million. AGL has removed this impact to calculate the Underlying Profit.

Secondly, as part of the acquisition accounting when AGL purchased the SunGas and Powerdirect assets, \$184.6 million was allocated to the value of customer accounts. This value is amortised over the expected life of the customer accounts. For the year ending 30 June 2008 the net impact of the amortisation was to reduce profit by \$14.5 million. AGL has removed this impact to calculate the Underlying Profit.

Review of Operations

The following review of operations focuses on the Earnings before Interest and Tax (“EBIT”) from the combined continuing and discontinued operations before changes in fair value of financial instruments and significant items (“Operating EBIT”). Operating EBIT better reflects the underlying performance of the business. Each section commences with a table reconciling Statutory EBIT with the Operating EBIT. All discussion and analysis of the results refers to the Operating EBIT.

Operating EBIT for the year ended 30 June 2008 was \$703.2 million (2007 \$574.7 million). The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory)		EBIT (Operating)	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	\$m	\$m	\$m	\$m
Retail Energy ⁽¹⁾	236.3	107.1	271.7	192.5
Merchant Energy ⁽²⁾	28.3	601.2	300.8	280.1
Gas and Power Development ⁽³⁾	73.5	135.6	155.1	130.6
Energy Investments ⁽⁴⁾	145.7	25.2	73.7	64.0
Centrally managed expenses ⁽⁵⁾	(165.1)	(182.7)	(98.1)	(92.5)
Total	318.7	686.4	703.2	574.7

Detailed reconciliations of movements between Statutory EBIT and Operating EBIT are shown on:

- ⁽¹⁾ page 10
- ⁽²⁾ page 14
- ⁽³⁾ page 17
- ⁽⁴⁾ page 20
- ⁽⁵⁾ page 22

**Retail Energy Operating EBIT:
 Increased 41% to \$271.7 million from \$192.5 million**

	30 June 2008 \$m	30 June 2007 \$m
Statutory	236.3	107.1
Assume demerger occurred on 1 July 2006	-	62.8
Significant items	33.2	22.0
Finance income included in EBIT	2.2	0.6
Operating EBIT	271.7	192.5
EBIT/Average funds employed	9.5%	9.4%

Retail Energy is responsible for servicing customers and growing AGL's solid position in Australia's downstream gas and electricity markets. Retail Energy currently services 3.2 million residential, small business and commercial customers across New South Wales, Victoria, South Australia and Queensland.

The key business priorities for Retail Energy are to keep improving customer service and growing high-value dual fuel accounts while driving down the cost to serve customers through the Phoenix change program.

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

Retail Energy contributed \$271.7 million to Operating EBIT for the year ended 30 June 2008, up 41.2% on the prior year comparison. A number of factors contributed to the increase in Operating EBIT and they have been summarised in the table below.

	\$m
Operating EBIT for the year ended 30 June 2007	192.5
Increase in contribution from acquired businesses	82.6
Increase in customer amortisation from acquired businesses	(9.7)
Additional gross margin	6.7
Depreciation from the Phoenix change program	(3.9)
Net operating cost savings	3.5
Operating EBIT for the year ended 30 June 2008	271.7

Increase in contribution from acquired businesses

AGL acquired SunGas on 1 February 2007 and Powerdirect on 1 March 2007. These businesses contributed an Operating EBIT before customer amortisation of \$76.4 million for the year ended 30 June 2008, an \$82.6 million increase compared with the year ended 30 June 2007.

Increase in customer amortisation from acquired businesses

As part of the acquisition accounting for SunGas and Powerdirect, AGL allocated \$184.6 million of the purchase price to customer accounts. This asset is amortised over the expected life of the acquired customers. For the year ended 30 June 2008, the amortisation expense was \$14.5 million, a \$9.7 million increase compared with the year ended 30 June 2007.

Additional gross margin

Management of the mass market gross margin during the year ended 30 June 2008 contributed an additional \$6.7 million to Operating EBIT.

Depreciation from the Phoenix change program

While it is not yet complete, the Phoenix change program commenced commercial operation during the year ended 30 June 2008. Consequently, AGL was required to commence depreciating the assets associated with the Phoenix change program.

Net operating cost savings

Retail Energy has continued to focus on cost reduction. After adjusting for the one-off costs of implementing the Phoenix change program, redundancies and integration costs, the underlying net operating costs reduced by \$3.5 million.

Phoenix Change Program

Retail Energy is currently rationalising and redesigning its core operating processes, and progressively replacing its disparate mass-market billing systems. This strategy is intended to drive down operating costs while improving customer service capability. This is a four year program that has been underway for three years.

Release 1 of the Phoenix change program was successfully implemented in December 2007 with 1.3 million customers transferred from legacy systems on to a new SAP platform, on schedule with no systemic performance issues. Expected short-term call centre responsiveness challenges were quickly resolved.

Release 2A was successfully implemented in March 2008 with a further 300,000 customers migrating to the SAP platform.

Release 2B is on track for deployment in the fourth quarter of calendar 2008. This will see the remainder of AGL's mass market customer accounts transferred to the SAP billing platform. Plans to include Commercial and Industrial customers are being finalised for deployment in 2009.

The Phoenix change program will provide AGL with a single customer view, which will enable call centre re-configuration and an increased ability to campaign more efficiently and effectively.

Benefits of approximately \$25.0 million from the Phoenix change program have already been realised since the start of the project, with further benefits to be realised in subsequent periods.

Dual Fuel Strategy

Retail Energy continued to pursue its dual fuel strategy in the face of increasingly competitive markets. AGL now services 1.18 million dual fuel customer accounts, compared with 1.13 million as at 30 June 2007. Strong growth in New South Wales has driven improvement in dual fuel penetration.

Customer Numbers and Competition

Relatively high levels of competitor activity persisted throughout the year ended 30 June 2008. Total billable customer accounts were up by approximately 34,000 compared with the year ended 30 June 2007. Customer numbers for electricity and gas by State are contained in the following table.

Retail Customer Accounts

	30 June 2008	30 June 2007	Movement	Movement
	000	000	000	%
<i>Electricity</i>				
Victoria	624	646	(22)	(3.3%)
South Australia	450	467	(17)	(3.6%)
New South Wales	286	237	50	20.9%
Queensland	452	469	(16)	(3.5%)
	1,812	1,818	(5)	(0.3%)
<i>Gas</i>				
Victoria	501	477	24	5.1%
South Australia	75	64	11	17.5%
New South Wales	760	756	4	0.5%
Queensland	73	73	-	-
	1,409	1,370	39	2.8%
Total	3,221	3,188	34	1.1%

EBIT / Sales Analysis

AGL offers competitively priced products to customers while providing acceptable shareholder returns. The following table analyses the EBIT margin as a percentage of the sales revenue. The EBIT to sales margin for the year ended 30 June 2008 was 5.7% compared to 5.1% for the prior corresponding period.

	30 June 2008	30 June 2007	Movement	Movement
	\$m	\$m	\$m	%
Revenue	4,736.2	3,808.0	928.2	24.4
Cost of sales	(4,170.4)	(3,354.8)	(815.6)	24.3
Gross margin	565.8	453.2	112.6	24.8
Operating costs	(268.3)	(234.7)	(33.6)	14.3
EBITDA	297.5	218.5	78.9	36.1
Depreciation and amortisation	(25.7)	(26.1)	0.3	(1.3)
EBIT	271.7	192.5	79.2	41.2
EBIT / Sales %	5.7%	5.1%		

Cost to Serve Analysis

Retail Energy has continued to focus on improving customer service while reducing the cost to serve those customers. The following table provides an analysis on the cost to serve.

	30 June 2008	30 June 2007	Movement	Movement
	\$	\$	\$	%
Net operating expenditure ⁽¹⁾	225.8m	215.2m	10.6m	4.9
Net operating cost per customer account	70.90	74.22	(3.32)	(4.5)
Cost to grow/retain	55.5m	46.6m	8.9m	19.1
Cost to grow per account acquired/retained	71.50	71.32	0.18	0.2
Cost to serve	170.3m	168.6m	1.70	1.0
Cost to serve per customer account	53.48	58.16	(4.68)	(8.0)

(1) Excluding Queensland customer amortisation

The underlying net operating cost per customer for the year ended 30 June 2008 was \$70.90, a 4.5 % reduction on the prior year.

The cost to acquire customers has remained stable with only a 0.2% increase from \$71.32 per acquired customer for the year ended 30 June 2007 compared to \$71.50 for the current financial year.

The operating cost to serve customers excluding the cost to acquire new customers was \$170.3 million for the year ended 30 June 2008. When this cost is spread over the average customer base, it results in a cost to serve of \$53.48, an 8% reduction on the prior year.

Certain expenses associated with the on going maintenance of a retail customer base were not allocated to retail in the above table because they were controlled centrally. Examples include information technology expenditure and office leases. Further detail is provided in the **Centrally Managed Expenses** section of this Financial Commentary. Those expenses totalled approximately \$27.1 million and if they were spread across the customer base would increase net operating cost per average customer account from \$70.90 to \$79.47 for the year ended 30 June 2008.

It is not possible to perform the equivalent calculation for the year ended 30 June 2007 because AGL did not have comparable centrally controlled expenses from 1 July 2006 until demerger on 25 October 2006. However, assuming the same proportion of centrally controlled expenses for the year ended 30 June 2008 applied to the year ended 30 June 2007, would result in unallocated retail expenses of \$25.6 million. The net operating cost per average customer account would increase from \$74.22 to \$83.05 for the year ended 30 June 2007.

**Merchant Energy Operating EBIT:
 Increased 7% to \$300.8 million from \$280.1 million**

The Merchant Energy group has broad responsibilities for operating and maintaining AGL's power generation assets, developing AGL's carbon strategy and managing the risks associated with the procurement and delivery of gas and electricity for AGL's Wholesale and Retail portfolios. The business actively uses financial hedges, bilateral contracts and physical generation to ensure adequacy of competitively priced supply. The portfolio also includes Australia's largest privately owned renewables portfolio which incorporates a pipeline of development opportunities and positions AGL strategically for the introduction of an emissions trading scheme.

Operating EBIT for the year was \$300.8 million compared with \$280.1 million for the corresponding prior period.

	30 June 2008	30 June 2007
	\$m	\$m
Statutory EBIT	28.3	601.2
Assume demerger occurred on 1 July 2006	-	71.8
Significant items	3.5	5.9
Changes in fair value of derivatives	258.9	(409.5)
Finance Income from Loy Yang investment	10.1	10.7
Operating EBIT	300.8	280.1
EBIT/Average funds employed	13.1%	15.0%

The Merchant Energy group is structured into three business units, namely Energy Portfolio and Merchant Operations, Carbon Solutions and Energy Services. The following table provides a further breakdown of the contributors to Operating EBIT:

	30 June 2008	30 June 2007
	\$m	\$m
Energy Portfolio and Merchant Operations	281.3	270.4
Energy Services	28.6	17.9
Sundry (including Carbon Solutions)	(9.1)	(8.2)
Merchant Energy Operating EBIT	300.8	280.1

**Energy Portfolio and Merchant Operations Operating EBIT:
 Increased 4% to \$281.3 million from \$270.4 million**

AGL's Energy Portfolio division is responsible for managing the price risk of the Wholesale Electricity and Gas portfolios. This includes the physical dispatch of AGL's growing portfolio of generation assets consisting of; the Victorian based Somerton gas fired peaking generator, AGL Hydro, Torrens Island Power Station in South Australia and the Oakey and Yabulu dispatch arrangements in Queensland.

The Merchant Operations division is responsible for the effective management, maintenance and long term planning for AGL's growing portfolio of generation assets. It comprises the Merchant Operations team and the investment in the Loy Yang Power Station. Excluding the Loy Yang investment returns, it is effectively a cost centre; generation revenues and variable costs are included in the Energy Portfolio profit centre.

The following table provides the component parts of the Energy Portfolio and Merchant Operations Operating EBIT.

	30 June 2008	30 June 2007
	\$m	\$m
Wholesale Electricity	295.5	174.6
Wholesale Gas	61.7	74.4
Merchant Operations excluding Loy Yang	(88.3)	(25.2)
Loy Yang Investment	12.4	46.6
Total Energy Portfolio and Merchant Operations	281.3	270.4

Wholesale Electricity Operating EBIT:
Increased 69% to \$295.5 million from \$174.6 million

AGL has in place an extensive governance framework which establishes the policy under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, routine reporting to the Board, and Earnings at Risk limits.

The risk policy requires that the principal purpose of electricity trading is to hedge AGL's market price exposure resulting from operating an integrated energy business. However that policy allows for commercial optimisation of the portfolio provided that overall Earnings at Risk Limits are adhered to. Commercial optimisation activities include:

- reducing hedging costs through optimising load diversity between customer classes and regions.
- harnessing the implicit optionality of the generation portfolio including arbitraging fuel types.
- accelerating or decelerating hedging programs based on a view of market price.
- utilising a variety of instruments including weather derivatives in order to optimise risk and return.

Wholesale Electricity contributed Operating EBIT of \$295.5 million (2007 \$174.6 million). This improvement in earnings has been driven by:

- the inclusion of new generation facilities including Torrens Island Power Station and the Oakey generation dispatch interests.
- favourable weather conditions, particularly in South Australia where abnormally high temperatures were experienced in summer 2008. These record temperatures resulted in extremely high demand and associated high electricity prices.
- a full year contribution from the Powerdirect business compared with four months in the prior year.
- effective portfolio management resulting in a relatively lower electricity purchase cost in 2008 compared to 2007.

The Dartmouth hydro facility was unable to generate during the year ended 30 June 2008 due to insufficient water levels. However, inflows to the dam continued to improve over the year with a commensurate rise in water level.

Wholesale Gas Operating EBIT:

Decreased 17% to \$61.7 million from \$74.4 million

The Wholesale Gas division is responsible for sourcing and managing AGL's gas supply and transportation portfolio to maximise wholesale price effectiveness for the Retail businesses. Wholesale Gas also supplies other retailers and internal and third party gas fired generators. Wholesale Gas contributed Operating EBIT of \$61.7 million (2007 \$74.4 million). The net reduction in earnings arose from:

- a gain of \$13.8 million in the prior year result following settlement of a dispute with SPI Networks relating to unaccounted for gas.
- gas market volatility, particularly in New South Wales, which led to higher gas and transportation charges combined with milder winter weather, which reduced volumes.
- partially offset by a full year of SunGas business compared to five months in the prior year and an increase in NSW Mass Market tariffs from 1 April 2008.

Merchant Operations excluding Loy Yang Operating EBIT Expense:

Increased 250% to \$88.3 million from \$25.2 million

AGL's Merchant Operations team has expanded significantly over the last year following the acquisition of Torrens Island Power Station on 2 July 2007, which resulted in additional operating costs of \$57.4 million. This acquisition further developed the Merchant Operations skill base and depth through the addition of approximately 170 employees. Since acquiring this asset, improvements to maintenance and planning has led to a reduction of more than 50% in the forced outage factor at the plant while operational performance at AGL's other generating facilities also exceeded AGL's targets.

Loy Yang Investment Operating EBIT:

Decreased 73% to \$12.4 million from \$46.6 million

AGL has a 32.54% interest in Great Energy Alliance Corporation Pty Limited (trading as Loy Yang Power). Operating EBIT of \$12.4 million (2007 \$46.6 million) comprised a share of equity profits of \$2.3 million (2007 \$35.9 million) and interest income of \$10.1 million (2007 \$10.7 million). Loy Yang's Operating EBIT contribution fell sharply for the year ended 30 June 2008 for three main reasons. Firstly, revenue fell by 4% due largely to a significant reduction in the Victorian electricity pool price. This reduction is clearly evident in the following table.

Time Weighted Victorian Reference Pool Price

	1 st six months \$/MWh	2 nd six months \$/MWh	Full Year \$/MWh
Year ended 30 June 2007	32.15	77.84	54.80
Year ended 30 June 2008	49.21	44.33	46.79

Secondly, Loy Yang's operating expenses increased by 20% driven by higher maintenance costs. Finally, interest expense increased by 7% due to higher interest rates.

Energy Services Operating EBIT:

Increased 60% to \$28.6 million from \$17.9 million

The Energy Services division is responsible for maximising customer specific opportunities to make customer businesses more sustainable and energy efficient. The Energy Services business continues 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 naphtha by processing refinery off-gases supplied by the adjacent Caltex oil refinery in Kurnell, Sydney, with all production sold back to Caltex.

Energy Services, including HC Extractions, contributed Operating EBIT of \$28.6 million (2007 \$17.9 million). Growth in earnings arose from the first full year contribution of the Queensland generation assets acquired with Powerdirect, development of landfill and co-generation projects and higher LPG prices for HC Extractions.

Gas and Power Development Operating EBIT: Increased 19% to \$155.1 million from \$130.6 million

Operating EBIT for the year was \$155.1 million compared with \$130.6 million for the corresponding prior period.

	30 June 2008	30 June 2007
	\$m	\$m
Statutory EBIT	73.5	135.6
Significant items	77.6	-
Changes in fair value of derivatives	4.0	(5.0)
Operating EBIT	155.1	130.6
EBIT/Average funds employed	14.5%	17.6%

The following table provides a further breakdown of the contributors to Operating EBIT:

	30 June 2008	30 June 2007
	\$m	\$m
PNG upstream investment	85.9	110.9
Wind farm development fees	40.0	20.2
QGC share investment	16.2	0.8
North Queensland Energy and Gas Pipeline	13.6	-
Camden Gas Project and other Sydney Basin	1.4	0.5
Moranbah Gas Project and Exploration	0.4	1.3
CSM Energy share investment	(0.2)	-
Sundry	(2.2)	(3.1)
Gas and Power Development Operating EBIT	155.1	130.6

PNG Upstream Investment Operating EBIT: Decreased 23% to \$85.9 million from \$110.9 million

The PNG investment has been identified as a non-core asset. The asset is now regarded as being "held for sale" for accounting purposes and accordingly the amortisation of the asset ceased from 1 May 2008. A formal sale process is underway and completion is expected by the end of December 2008.

The PNG upstream investment contributed Operating EBIT of \$85.9 million (2007 \$110.9 million). On a pro forma basis (correcting for inventory and amortisation adjustments), EBIT was \$75.9 million (2007 \$110.9 million). The decrease in pro forma earnings was mainly due to declining field production and rising operating costs in line with industry trends.

AGL's share of oil production was 2.15 million barrels (2007 2.44 million barrels), while oil liftings totalled 2.19 million barrels (2007 2.53 million barrels) at an average realised sales price of US\$73.40 per barrel (2007 US\$73.70 per barrel) after taking into account the impact of settled hedges. Net oil sales revenue totalled \$178.6 million (2007 \$230.9 million) and other revenue primarily comprised oil processing and pipeline tariffs of \$7.6 million (2007 \$6.2 million). Depreciation and amortisation totalled \$61.5 million (2007 \$84.6 million) with an EBITDA margin of 79% (2007 82%).

Wind Farm Development Fees Operating EBIT:
Increased 98% to \$40.0 million from \$20.2 million

Development fees arise from the construction of wind farms for third parties for which AGL has an off-take and capacity fee agreement in place.

AGL finalised the construction of the Hallett 1 Wind Farm during the year ended 30 June 2008 and recognised \$40.0 million in development fees. In the prior corresponding period, \$20.2 million in development fees relating to Hallett 1 had been recognised, bringing total development fees for Hallett 1 to \$60.2 million.

AGL has a pipeline of wind farm development opportunities over the medium term and expects wind farm development fees to continue to be a solid contributor to the operating EBIT of the Gas and Power Development business.

QGC Share Investment Operating EBIT:
Increased 1,925% to \$16.2 million from \$0.8 million

As at 30 June 2008, AGL had a 24.9% equity interest in QGC, an ASX-listed public company. AGL's equity interest reduced over 2008 (from 27.6% as at 30 June 2007) following equity transactions undertaken by QGC.

The Operating EBIT contribution was \$16.2 million (2007 \$0.8 million). 2008 was the first full year of ownership of the investment and receipt of income from the gas market development services agreement.

North Queensland Energy and Gas Pipeline Joint Ventures Operating EBIT:
\$13.6 million (no corresponding prior period)

On 1 December 2007 AGL, in a 50/50 joint venture with Arrow Energy Limited (Arrow), took ownership of the merchant energy and gas pipeline businesses of Enertrade from the Queensland Government. AGL's share of the acquisition price was \$141.8 million including transaction costs. The majority of the purchase price related to the gas pipeline component which AGL did not consider to be a core asset. For accounting purposes this asset was classified as "held for sale" and was not depreciated for the period of ownership.

On 30 June 2008, AGL and Arrow entered into a sale and purchase agreement with Victorian Funds Management Corporation (VFMC) for the sale of the North Queensland Gas Pipeline (AGL share \$102.5 million). The sale was completed on 1 August 2008.

The Operating EBIT contribution from these assets was \$13.6 million comprising \$6.8 million (2007 nil) from the Energy joint venture and \$6.8 million (2007 nil) from the Gas Pipeline joint venture, and EBITDA contributions of \$8.8 million (2007 nil) and \$7.2 million (2007 nil) respectively.

Camden Gas Project and Other Sydney Basin Joint Ventures Operating EBIT:
Increased 180% to \$1.4 million from \$0.5 million

AGL has a 50% operating interest in the Camden Gas Project joint venture and 50% non-operating interests in a number of exploration joint ventures in the Camden and Hunter Valley regions.

The Camden Gas Project and other Sydney Basin joint ventures contributed Operating EBIT of \$1.4 million (2007 \$0.5 million). The increase in earnings was mainly due to increasing production following drilling activities undertaken during the year.

AGL's share of gas sales from the Camden Gas Project was 2.6 PJ (2007 2.3 PJ). Sales revenue totalled \$8.8 million (2007 \$7.4 million) and EBITDA contribution was \$5.8 million (2007 \$4.5 million).

***Moranbah Gas Project and Exploration Joint Ventures Operating EBIT:
Decreased 69% to \$0.4 million from \$1.3 million***

AGL has a 50% non-operating interest in the Moranbah Gas Project joint venture, as well as a 99% interest in the ATP 364P exploration joint venture (Arrow has sole exploration rights) and a 5% override royalty under a 50-year agreement (that began in 2000).

The Moranbah Gas Project and exploration joint ventures contributed Operating EBIT of \$0.4 million (2007 \$1.3 million). The decrease in earnings was mainly due to rising operating costs in line with industry trends.

AGL's share of gas sales from the Moranbah Gas Project was 7.8 PJ (2007 6.7 PJ). Sales revenue totalled \$17.3 million (2007 \$14.3 million) and EBITDA contribution was \$9.9 million (2007 \$9.7 million).

CSM Energy Share Investment Operating EBIT loss \$0.2 million (2007 Nil)

AGL has a 35% equity interest in CSM Energy Ltd, an unlisted public company. The Operating EBIT contribution from this investment was a loss of \$0.2 million (2007 nil). 2008 was the first full year of ownership of this investment.

**Energy Investments Operating EBIT:
 Increased 15% to \$73.7 million from \$64.0 million**

	30 June 2008	30 June 2007
	\$m	\$m
Statutory EBIT	145.7	25.2
Assume demerger occurred on 1 July 2006	-	21.1
Significant items	(83.7)	0.9
Interest on loan to AlintaAGL	11.7	16.8
Operating EBIT	73.7	64.0

The following table provides a further breakdown of the contributors to the Operating EBIT:

	30 June 2008	30 June 2007
	\$m	\$m
ActewAGL	26.0	18.5
Elgas	15.6	13.2
GasValpo	13.5	14.7
AlintaAGL	13.6	13.1
Other	5.0	4.5
Operating EBIT	73.7	64.0

***ActewAGL (50% AGL ownership) Operating EBIT:
 Increased 41% to \$26.0 million from \$18.5 million***

ActewAGL is a 50/50 partnership between AGL and Actew Corporation, an ACT Government-owned enterprise. Established in 2000, it 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 and electricity businesses.

It is the leading energy retailer in the ACT and has an established brand supplying 8 PJ to gas customers and 2,707 GWh to electricity customers.

AGL's share of the partnership Operating EBIT was \$26.0 million. This compared favourably to the corresponding prior period result of \$18.5 million

ActewAGL had a solid year in both the gas and electricity markets. Increased gas volumes were driven by colder weather patterns and an increase in the number of gas customers. Improved electricity margins resulted from both a modest tariff increase and higher volumes from an increase in the number of electricity customers.

It was also pleasing to note increased Operating EBIT contributions from connections and disconnections revenues, maintenance revenues, and more customers bundling their domestic utilities with ActewAGL.

Overall and notwithstanding the continued competitive pressures and increasing wholesale energy costs, the partnership has delivered a sound financial performance for the year, while ensuring that the number of gas and electricity customers has at least been retained.

***Elgas (50% AGL ownership) Operating EBIT:
 Increased 18% to \$15.6 million from \$13.2 million***

AGL classified Elgas as an investment held for sale from 1 May 2008. AGL's equity share of profit for the financial year up until that date was \$10.0 million. AGL also received a dividend of \$5.6 million from Elgas in June 2008.

AGL Energy Limited and Subsidiaries
Financial Commentary – Discussion and Analysis of Financial Statements



Elgas's earnings were ahead of last year despite record high Saudi contract prices. Strong price management and additional volumes from the Sydney LPG Cavern were factors in the improved result. Automotive LPG sales volumes were strong due to the increased number of cars converted to run on LPG and the supply required to cover refinery production problems.

GasValpo (100% AGL ownership disposed) Operating EBIT:
Decreased 8% to \$13.5 million from \$14.7 million

GasValpo contributed \$13.5 million to Operating EBIT (2007 \$14.7 million) before it was disposed of on 30 April 2008.

Prior to its disposal, AGL also incurred an impairment charge of \$37.0 million on the carrying value of assets. The sale of GasValpo and associated assets and related entities resulted in a pre-tax loss of \$3.0 million and a post-tax profit of \$27.4 million. These items have been classified as significant items.

AlintaAGL (33% AGL ownership disposed) Operating EBIT:
Increased 4% to \$13.6 million from \$13.1 million

AlintaAGL contributed \$13.6 million to Operating EBIT (2007 \$13.1 million) before it was disposed of on 12 December 2007. The sale of AlintaAGL resulted in a pre-tax profit of \$123.7 million, which has been classified as a significant item.

**Centrally Managed Expenses:
 Increased 6% to \$98.1 million from \$92.5 million**

	30 June 2008	30 June 2007
	\$m	\$m
Statutory EBIT	(165.1)	(182.7)
Assume demerger occurred on 1 July 2006	-	(3.7)
Significant items	67.0	93.9
Operating EBIT	(98.1)	(92.5)

The following table provides a more detailed breakdown of centrally managed expenses. It does not provide a comparison to the prior period because AGL did not have a comparable corporate function from 1 July 2006 until demerger on 25 October 2006.

	30 June 2008
	\$m
Labour	(32.8)
Office leases	(11.8)
Hardware and software costs	(8.5)
Consultants and contractor fees	(11.6)
Insurance premiums	(5.0)
Depreciation and amortisation	(11.3)
Other	(17.1)
Total	(98.1)

AGL manages a number of expense items, including information technology and office leases, at a corporate level to maximise operational efficiencies, minimise costs and optimise service levels across business divisions. While these costs would not be incurred but for the existence of the business units, they have not been formally reallocated because the management of these costs is the responsibility of various corporate functions.

However, although not formally reallocated for the purposes of reporting Operating EBIT, a substantial proportion of the expenses can be attributed to the business units. The following table provides further analysis of the centrally managed expenses incurred on behalf of business units during the year ended 30 June 2008. It does not provide a comparison to the prior period because AGL did not have a comparable corporate function from 1 July 2006 until demerger on 25 October 2006.

	Centrally Managed Expenses \$m	Reallocate Retail Energy \$m	Reallocate Merchant Energy \$m	Reallocate Gas & Power Development \$m	Unallocated \$m
Labour	(32.8)	2.2	0.7	0.7	(29.2)
Office leases	(11.8)	8.1	2.5	0.3	(0.9)
Hardware and software costs	(8.5)	5.3	2.7	0.2	(0.3)
Consultants and contractor fees	(11.6)	1.3	0.6	-	(9.7)
Insurance premiums	(5.0)	1.9	3.0	-	(0.1)
Depreciation and amortisation	(11.3)	7.0	3.0	0.1	(1.2)
Other	(17.1)	1.3	0.7	-	(15.1)
Total	(98.1)	27.1	13.2	1.3	(56.5)

**Net Financing Costs:
 Increased 78% to \$175.9 million from \$98.7million**

	30 June 2008	30 June 2007
	\$m	\$m
Statutory finance costs	(191.1)	(132.2)
Statutory finance income	39.2	36.9
Adjust for capital structure 1 July 2006 to 25 Oct 2006	-	23.8
Remove finance income included in EBITDA	(24.0)	(28.1)
Other	-	0.9
Net financing costs	(175.9)	(98.7)

Net financing costs for the year were \$175.9 million (2007 \$98.7 million). The increase in net financing costs was mainly due to increased average net debt. Average net debt for the year ended 30 June 2008 was \$2.5 billion (2007 \$1.6 billion). Average net debt increased during the year due largely to the full year impact of AGL's asset growth, including purchasing:

- 27.5% of QGC for \$327.0 million and funded entirely through debt.
- 100% of SunGas for \$74.2 million and funded entirely through debt.
- 100% of Powerdirect for \$1,234.0 million and funded with \$300.9 million debt following the raising of \$933.1 million through issuing equity in AGL.
- 100% of the Torrens Island Power station and selling 100% of the Hallett Power station for a net consideration of \$362.5 million including a working capital adjustment and funded entirely with debt.
- 50% of Enertrade merchant gas and pipeline businesses for \$141.8 million and funded entirely through debt.

The average net interest rate also increased from 6.9% to 7.2% due largely to increases in the underlying interest rate from tighter monetary policy.

Tax Expense and Operating Cash

Tax Expense:

Increased 17% to \$176.3 million from \$150.4 million

	30 June 2008	30 June 2007
	\$m	\$m
Statutory tax income/(expense)	62.2	(180.6)
Assume demerger occurred on 1 July 2006		(59.8)
Tax benefit from significant items	(160.2)	(36.8)
Tax (benefit)/expense from fair value movements	(78.3)	126.8
	<hr/>	<hr/>
Underlying tax expense	(176.3)	(150.4)

The underlying effective tax rate was 33.4% (2007 31.6%). AGL's effective tax rate exceeds the 30% Australian corporate tax rate due largely to the contribution from PNG where the tax rate on taxable income is 50%.

Net Cash Provided by Operating Activities \$461.5 million

	30 June 2008
	\$m
Statutory net cash provided by operating activities	354.7
Cash flow relating to significant items	60.1
Refund of NEMMCO deposits	(238.3)
Margin calls on futures contracts	285.0
	<hr/>
Operating Cash	461.5

Net cash provided by underlying operating activities ("Operating Cash") was \$461.5 million for the year ended 30 June 2008. There was no relevant direct comparison to the prior year period because AGL did not acquire all its subsidiaries until demerger on 25 October 2006. It is not possible to calculate an underlying cash flow for that period assuming the subsidiaries were acquired on 1 July 2006 due to the different capital structure and tax position.

After adjusting for significant items of \$60.1 million, Operating Cash was further materially impacted by two items. Firstly, \$238.3 million was received from NEMMCO relating to security deposits that had been placed with NEMMCO during the financial year ending 30 June 2007. These security deposits were replaced by bank guarantees.

Secondly, due to the falling forward electricity curve during the year, AGL paid substantial margin calls to the Sydney Futures Exchange on the hedges it had contracted to protect itself against higher electricity prices. The total amount paid during the year was \$285.0 million. Adjusting for these two items resulted in an Operating Cash of \$461.5 million.

Directors in Office

The names of Directors of the Parent Entity who held office during or since the end of the year are:

	<i>First Appointed</i>
Mark Roderick Granger Johnson – Chairman	17 February 2006
Michael Anthony Fraser – Managing Director	22 October 2007
Paul Anthony – Managing Director	23 May 2006 (resigned 21 October 2007)
David Charles Keith Allen AO	17 February 2006 (retired 29 February 2008)
Carolyn Judith Hewson	17 February 2006
Maxwell Gilbert Ould	17 February 2006
Graham John Reaney	5 July 2006
Jeremy Charles Roy Maycock	9 October 2006
Sandra Veronica McPhee	9 October 2006
Bruce John Phillips	23 August 2007

Rounding of Amounts to Nearest \$0.1 Million

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 this Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.



Mark Johnson
Chairman

AGL Energy Limited and Subsidiaries
Income Statement
For the year ended 30 June 2008

	2008	2007
Note	\$m	\$m
Continuing operations		
Revenue	3 5,429.6	3,458.9
Other income	4 186.5	30.0
Expenses	5 (5,214.5)	(2,888.8)
Share of profits of associates and jointly controlled entities using the equity method	14 99.8	36.1
Profit before net financing costs, depreciation and amortisation	501.4	636.2
Depreciation and amortisation	6 (102.3)	(74.6)
Profit before net financing costs	399.1	561.6
Finance income	36.5	34.1
Finance costs	(187.6)	(130.9)
Net financing costs	7 (151.1)	(96.8)
Profit before tax from continuing operations	248.0	464.8
Income tax income/(expense)	9 68.3	(110.6)
Profit after tax from continuing operations	316.3	354.2
Discontinued operations		
(Loss)/profit after tax from discontinued operations	13 (87.3)	56.3
Profit after tax attributable to shareholders of the Parent Entity	229.0	410.5
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	52.6	148.5
Diluted earnings per share (cents)	52.6	148.5
From continuing operations:		
Basic earnings per share (cents)	72.6	128.1
Diluted earnings per share (cents)	72.6	128.1
Weighted average number of ordinary shares		
Basic (millions)	435.6	276.4
Diluted (millions)	435.8	276.6

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

AGL Energy Limited and Subsidiaries
Balance Sheet
As at 30 June 2008

	2008	2007
Note	\$m	\$m
Current assets		
Cash and cash equivalents	63.8	279.9
Trade and other receivables	1,171.0	1,702.3
Inventories	38.7	27.9
Current tax assets	47.9	30.6
Other financial assets	1,210.9	5,102.5
Other assets	97.6	98.7
	<u>2,629.9</u>	<u>7,241.9</u>
Non-current assets classified as held for sale	71.2	117.0
Assets of disposal group classified as held for sale	13 459.3	-
Total current assets	<u>3,160.4</u>	<u>7,358.9</u>
Non-current assets		
Trade and other receivables	0.8	1.4
Investments accounted for using the equity method	585.0	534.4
Exploration and evaluation assets	25.9	66.2
Oil and gas assets	150.7	505.1
Property, plant and equipment	1,821.2	1,101.6
Intangible assets	3,154.9	3,121.5
Other financial assets	464.1	1,392.2
Other assets	89.9	26.2
Total non-current assets	<u>6,292.5</u>	<u>6,748.6</u>
Total assets	<u>9,452.9</u>	<u>14,107.5</u>
Current liabilities		
Trade and other payables	852.0	1,482.3
Borrowings	-	406.3
Provisions	24.3	21.2
Current tax liabilities	23.4	10.3
Other financial liabilities	672.8	2,192.7
Other liabilities	1.9	1.5
	<u>1,574.4</u>	<u>4,114.3</u>
Liabilities of disposal group classified as held for sale	13 53.0	-
Total current liabilities	<u>1,627.4</u>	<u>4,114.3</u>
Non-current liabilities		
Trade and other payables	38.2	-
Borrowings	2,101.7	2,041.4
Provisions	201.6	32.6
Deferred tax liabilities	379.2	1,340.3
Other financial liabilities	110.4	35.6
Other liabilities	14.5	25.7
Total non-current liabilities	<u>2,845.6</u>	<u>3,475.6</u>
Total liabilities	<u>4,473.0</u>	<u>7,589.9</u>
Net assets	<u>4,979.9</u>	<u>6,517.6</u>
Equity		
Issued capital	15 3,971.6	3,858.9
Reserves	501.3	2,137.5
Retained earnings	507.0	521.2
Total equity	<u>4,979.9</u>	<u>6,517.6</u>

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

AGL Energy Limited and Subsidiaries
Cash Flow Statement
For the year ended 30 June 2008

	2008	2007
Note	\$m	\$m
Cash flows from operating activities		
Receipts from customers	6,651.4	4,737.9
Payments to suppliers and employees	(6,072.8)	(4,328.7)
Dividends received	39.1	26.4
Finance income received	30.8	20.2
Finance costs paid	(189.2)	(94.3)
Income taxes paid	(104.6)	(71.9)
Net cash provided by operating activities	354.7	289.6
Cash flows from investing activities		
Payments for property, plant and equipment	(226.6)	(150.2)
Payments for exploration and evaluation assets	(8.8)	(20.3)
Payments for oil and gas assets	(56.8)	(147.3)
Payments for investments	-	(452.3)
Payments for other	(5.3)	-
Payments for businesses and subsidiaries	17 (620.1)	(1,308.9)
Proceeds from sale of property, plant and equipment	117.3	48.4
Proceeds from sale of investment	244.3	-
Proceeds from sale of subsidiary	13 57.5	-
Net cash used in investing activities	(498.5)	(2,030.6)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	-	911.9
On market share purchases	(1.8)	-
Proceeds from borrowings	1,185.0	2,528.3
Repayment of borrowings	(1,418.6)	(142.4)
Loans advanced	(5.0)	(247.0)
Proceeds from loan repayments	277.1	9.6
Loans repaid to related parties	-	(1,043.5)
Dividends paid	10 (112.7)	(35.8)
Net cash (used in)/provided by financing activities	(76.0)	1,981.1
Net (decrease)/increase in cash and cash equivalents	(219.8)	240.1
Cash and cash equivalents at the beginning of the financial year	279.2	52.8
Effect of exchange rate changes on the balance of cash held in foreign currencies	13.8	(13.7)
Cash and cash equivalents at the end of the financial year	11 73.2	279.2

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

AGL Energy Limited and Subsidiaries
Statement of Recognised Income and Expense
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Cash flow hedges:		
(Loss)/gain taken to equity	(1,262.2)	3,481.4
Transferred to profit or loss for the period	(1,294.2)	(257.1)
Net (loss)/gain on hedge of net investment in foreign operations	(10.4)	70.8
Exchange differences arising on translation of foreign operations	14.8	(78.1)
Exchange differences transferred to profit or loss on disposal of foreign operation	(12.6)	-
Actuarial (loss)/gain on defined benefit plans	(13.9)	9.9
Share of actuarial (loss)/gain on defined benefit plans attributable to associates and jointly controlled entities	(10.4)	5.2
Share of net gain/(loss) in reserves attributable to associates and jointly controlled entities	163.5	(174.3)
Income tax on items taken directly to or transferred from equity	771.3	(994.7)
Net (expense)/income recognised directly in equity	(1,654.1)	2,063.1
Profit for the period	229.0	410.5
Total recognised income and expense for the period attributable to shareholders of the Parent Entity	(1,425.1)	2,473.6

Reconciliation of statement of recognised income and expense to equity movements

	2008	
	Reserves	Retained earnings
	\$m	\$m
Balance at beginning of financial year	2,137.5	521.2
Current period movements	(1,634.0)	(20.1)
Movement in reserves not reflected in statement of recognised income and expense above:		
Share-based payment transactions	0.3	-
Share of gain in reserves attributable to an associate transferred on disposal	(2.5)	2.5
Profit for the period	-	229.0
Dividends paid	-	(225.6)
Balance at end of financial year	501.3	507.0

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

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.

The preliminary final financial report includes the consolidated financial statements which comprise the Parent Entity and its subsidiaries (together referred to as the consolidated entity).

(a) Statement of compliance

The preliminary final financial report ('financial report') has been prepared in accordance with the ASX Listing Rule 4.3A, Corporations Act 2001 and where applicable Accounting Standards and Interpretations, and complies with other requirements of the law.

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 consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial report does not include all the notes of the type normally included within the annual financial report, upon which this report is based. As a result this report should be read in conjunction with the 30 June 2007 annual financial report and with any public announcements made by AGL Energy Limited during the financial year ended 30 June 2008.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments which have been 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 accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 30 June 2007 annual financial report.

(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.

(d) Adoption of new and revised standards

In the current year, the consolidated entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

The consolidated entity has adopted AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements* (revised October 2006). The adoption of these standards 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 consolidated entity.

(e) New standards and interpretations not yet adopted

Certain new standards, amendments to existing standards and interpretations have been issued, but are not yet effective. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report. The potential effect of the standards and interpretations on the consolidated entity's financial report has not yet been determined.

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008



Note 2 - 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.

Gas and Power Development - Exploration, extraction, production and sale of coal seam methane gas; construction of power generation infrastructure; and extraction and sale of crude oil.

Energy Investments - Investments in energy entities.

The Gas and Power Development segment is now reported as a new segment. The businesses within this segment were previously included as part of the Merchant Energy segment. Accordingly, the June 2007 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.

June 2007 comparative amounts have also been restated to present the discontinued operations separately from continuing operations. Refer Note 10 for a discussion of the discontinued operations.

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

Business segments 2008	Continuing operations						Discontinued operations						Consolidated
	Retail Energy	Merchant Energy	Gas & Power Development	Energy		Unallocated	Gas & Power		Energy	Total	Total		
				Investments	Eliminations		Development	Development				Investments	
	\$m	\$m	\$m	\$m	\$m	\$m	continuing operations	- PNG oil and gas	- North Qld gas pipeline	Chile	operations	\$m	
Revenue	4,707.0	655.8	58.7	10.6	-	0.8	5,432.9	167.9	5.9	46.8	220.6	5,653.5	
Inter-segment revenue	19.6	2,369.7	6.2	-	(2,398.8)	-	(3.3)	-	3.3	-	3.3	-	
	4,726.6	3,025.5	64.9	10.6	(2,398.8)	0.8	5,429.6	167.9	9.2	46.8	223.9	5,653.5	
Other income	-	-	63.3	123.7	-	(0.5)	186.5	33.5	-	3.7	37.2	223.7	
Segment revenue	4,726.6	3,025.5	128.2	134.3	(2,398.8)	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	290.7	61.9	48.5	-	(98.1)	572.5	85.9	7.3	13.5	106.7	679.2	
Significant income/(expense) 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	28.3	127.4	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	41.7	127.6	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	4,379.2	964.1	85.2	-	188.0	8,993.6	362.4	96.9	-	459.3	9,452.9	
Segment liabilities	528.3	1,402.6	324.9	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	725.9	226.8	-	-	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	

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008



Note 2 - Segment information (continued)

Business segments 2007	Continuing operations							Discontinued operations					Consolidated \$m
	Retail Energy	Merchant Energy	Gas & Power Development	Energy Investments	Eliminations	Unallocated	Total Development continuing - PNG oil and gas operations	Gas & Power Development - North Old gas pipeline	Energy Investments Chile	Total discontinued operations			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m			
Revenue	3,174.8	257.7	17.0	3.7	-	5.7	3,458.9	234.9	-	71.5	306.4	3,765.3	
Inter-segment revenue	7.6	1,472.2	7.6	-	(1,487.4)	-	-	-	-	-	-	-	
	3,182.4	1,729.9	24.6	3.7	(1,487.4)	5.7	3,458.9	234.9	-	71.5	306.4	3,765.3	
Other income	0.1	2.3	20.9	-	-	6.7	30.0	6.5	-	1.8	8.3	38.3	
Segment revenue	3,182.5	1,732.2	45.5	3.7	(1,487.4)	12.4	3,488.9	241.4	-	73.3	314.7	3,803.6	
EBIT (before significant items and financial instruments)	129.1	197.6	19.7	16.9	-	(88.8)	274.5	110.9	-	9.2	120.1	394.6	
Significant income/(expense) items	(22.0)	(5.9)	-	(0.6)	-	(93.9)	(122.4)	-	-	(0.3)	(0.3)	(122.7)	
Changes in fair value of financial instruments	-	409.5	-	-	-	-	409.5	5.0	-	-	5.0	414.5	
Segment EBIT result	107.1	601.2	19.7	16.3	-	(182.7)	561.6	115.9	-	8.9	124.8	686.4	
Finance income	0.8	10.2	0.1	16.8	-	6.2	34.1	2.3	-	0.5	2.8	36.9	
Finance costs	-	-	-	-	-	(130.9)	(130.9)	0.3	-	(1.6)	(1.3)	(132.2)	
Profit/(loss) before tax	107.9	611.4	19.8	33.1	-	(307.4)	464.8	118.5	-	7.8	126.3	591.1	
Income tax expense							(110.6)				(70.0)	(180.6)	
Profit after tax							354.2				56.3	410.5	
Segment assets	3,224.7	8,805.7	553.1	460.3	-	349.8	13,393.6	545.0	-	168.9	713.9	14,107.5	
Segment liabilities	540.8	4,433.9	16.4	5.3	-	2,467.9	7,464.3	79.2	-	46.4	125.6	7,589.9	
Other segment information													
Share of profits of associates and jointly controlled entities using the equity method	-	21.6	0.8	13.7	-	-	36.1	-	-	-	-	36.1	
Investments accounted for using the equity method	0.9	-	333.1	200.4	-	-	534.4	-	-	-	-	534.4	
Acquisition of non-current assets	1,104.3	94.1	509.8	367.5	-	49.2	2,124.9	45.9	-	1.3	47.2	2,172.1	
Depreciation and amortisation	13.0	23.9	12.4	-	-	25.3	74.6	84.6	-	4.3	88.9	163.5	
Impairment losses	-	-	0.5	-	-	22.7	23.2	-	-	-	-	23.2	
Other non-cash expenses	31.5	3.1	2.1	0.3	-	7.0	44.0	3.9	-	0.4	4.3	48.3	

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	
	2008	2007	2008	2007	2008	2007
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	5,651.2	3,489.2	8,970.6	13,393.6	1,163.2	2,124.9
Papua New Guinea	175.5	241.1	482.3	545.0	31.1	45.9
Chile	50.5	73.3	-	168.9	1.8	1.3
	5,877.2	3,803.6	9,452.9	14,107.5	1,196.1	2,172.1

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 3 - Revenue		
Continuing operations		
Revenue from sale of goods	5,335.5	3,351.3
Revenue from rendering of services	88.5	107.6
Dividends		
Jointly controlled entity	5.6	-
	<u>5,429.6</u>	<u>3,458.9</u>
Discontinued operations		
Revenue from sale of goods	227.7	300.9
(Loss)/gain in fair value of oil derivatives	(10.7)	4.1
	<u>217.0</u>	<u>305.0</u>
Revenue from rendering of services	6.9	1.4
	<u>223.9</u>	<u>306.4</u>
Note 4 - Other income		
Continuing operations		
Gain on disposal of investments	146.0	-
Development fee income	40.0	20.1
Net gain on disposal of property, plant and equipment	-	0.1
Net foreign exchange losses	(0.5)	(1.4)
Other	1.0	11.2
	<u>186.5</u>	<u>30.0</u>
Discontinued operations		
Net foreign exchange gains	29.6	2.1
Other	7.6	6.2
	<u>37.2</u>	<u>8.3</u>

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 5 - Expenses		
Continuing operations		
Cost of sales	4,388.4	2,859.8
Loss/(gain) in fair value of electricity derivatives	263.1	(414.4)
	4,651.5	2,445.4
Administrative expenses	123.0	105.1
Employee benefits expense	255.6	171.6
Other expenses		
Impairment of property, plant and equipment	58.4	22.7
Impairment of exploration and evaluation assets	5.4	-
Impairment of oil and gas assets	-	0.5
Phoenix Change Program one-off costs	29.1	-
Redundancy, termination and integration costs	11.7	37.0
Demerger costs	22.3	58.2
Other	57.5	48.3
	5,214.5	2,888.8
Discontinued operations		
Cost of sales	67.1	90.0
Administrative expenses	3.7	1.6
Employee benefits expense	3.5	3.3
Other expenses		
Loss on disposal of subsidiaries	3.0	-
Impairment of intangible assets	18.2	-
Impairment of property, plant and equipment	18.8	-
Redundancy/termination costs	-	0.3
Loss in fair value of oil derivatives de-designated	154.7	-
Other	6.2	5.8
	275.2	101.0
Note 6 - Depreciation and amortisation		
Property, plant and equipment	73.4	58.9
Oil and gas assets	74.2	95.7
Intangible assets	16.7	5.5
Other	4.3	3.4
	168.6	163.5
Attributable to:		
Continuing operations	102.3	74.6
Discontinued operations	66.3	88.9
	168.6	163.5

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 7 - Net financing costs		
Finance income		
Interest income		
Associates	21.8	24.4
Other entities	17.4	12.5
	<u>39.2</u>	<u>36.9</u>
Attributable to:		
Continuing operations	36.5	34.1
Discontinued operations	2.7	2.8
	<u>39.2</u>	<u>36.9</u>
Finance costs		
Interest expense		
Other related parties	-	18.9
Other entities	182.8	112.0
Less finance costs capitalised	(12.8)	(3.4)
Unwinding of discounts on provisions	14.6	1.3
Other finance costs	6.5	3.4
	<u>191.1</u>	<u>132.2</u>
Attributable to:		
Continuing operations	187.6	130.9
Discontinued operations	3.5	1.3
	<u>191.1</u>	<u>132.2</u>
Net financing costs/(income)		
Attributable to:		
Continuing operations	151.1	96.8
Discontinued operations	0.8	(1.5)
	<u>151.9</u>	<u>95.3</u>

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 8 - Significant (expense)/income items		
Profit before tax from continuing and discontinued operations includes the following significant (expense)/income items:		
Share of profits from Queensland Gas Company Limited (QGC) arising from the sale of a 20% interest in a coal seam gas acreage	60.3	-
Gain on deemed disposal on equity dilution in QGC	22.3	-
Gain on disposal of investment in AlintaAGL Pty Limited	123.7	-
Loss on disposal of Chile operations	(3.0)	-
Loss in fair value of oil derivatives de-designated	(154.7)	-
Impairment of non-current assets net of writeback of lease incentive	(83.1)	(22.7)
Project expenditure written off	-	(4.5)
Demerger costs	(22.3)	(58.2)
Phoenix Change Program one-off costs	(29.1)	-
Redundancy, termination and integration costs	(11.7)	(37.3)
	<u>(97.6)</u>	<u>(122.7)</u>
Income tax income/(expense) applicable:		
Share of profits from Queensland Gas Company Limited (QGC) arising from the sale of a 20% interest in a coal seam gas acreage	-	-
Gain on deemed disposal on equity dilution in QGC	(6.7)	-
Gain on disposal of investment in AlintaAGL Pty Limited	(37.3)	-
Loss on disposal of Chile operations	30.4	-
Loss in fair value of oil derivatives de-designated	77.4	-
Impairment of non-current assets net of writeback of lease incentive	13.8	6.8
Project expenditure written off	-	1.3
Demerger costs	6.7	17.5
Phoenix Change Program one-off costs	8.7	-
Redundancy, termination and integration costs	3.5	11.2
	<u>96.5</u>	<u>36.8</u>
Tax consolidation benefit on formation of tax-consolidated group in the previous financial year	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	-
Write-down of deferred tax assets relating to PNG operations	(59.0)	-
	<u>160.2</u>	<u>36.8</u>
Significant expense items before income tax	(97.6)	(122.7)
Income tax income	160.2	36.8
	<u>62.6</u>	<u>(85.9)</u>

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 9 - Income tax		
Income tax recognised in the income statement		
Income tax (income)/expense attributable to:		
Continuing operations	(68.3)	110.6
Discontinued operations	6.1	70.0
Total income tax (income)/expense	(62.2)	180.6
Numerical reconciliation between tax (income)/expense and pre-tax profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax (income)/expense in the financial statements as follows:		
Profit before tax from continuing operations	248.0	464.8
(Loss)/profit before tax from discontinued operations	(81.2)	126.3
Profit from operations	166.8	591.1
Income tax expense calculated at 30%	50.0	177.3
Impairment of non-current assets	11.1	-
Non-deductible expenses	15.8	28.1
Capital loss on disposal of subsidiary	(32.1)	-
Share of profits of associates and jointly controlled entities	(24.2)	(7.6)
Effect of different tax rates in foreign jurisdictions	(13.3)	25.3
Temporary differences not previously recorded now recognised	-	(29.1)
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)	-
Write-down of deferred tax assets relating to PNG operations	59.0	-
Other	(4.7)	(0.8)
Adjustments in respect of current income tax of prior years	(17.6)	(12.6)
	(62.2)	180.6

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

	2008	2007
	\$m	\$m
Note 10 - Dividends		
Recognised amounts		
<i>Final dividend</i>		
Final dividend for 2007 of 26.0 cents per share, fully franked at 30%, paid 28 September 2007 (2007: nil)	112.7	-
<i>Interim dividend</i>		
Interim dividend for 2008 of 26.0 cents per share, fully franked at 30%, paid 16 April 2008 (2007: Interim dividend for 2007 of 9.5 cents per share, fully franked at 30%, paid 27 March 2007)	112.9	35.8
Total dividends	225.6	35.8
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (DRP) and to the underwriter of the DRP (Note 15)	(112.9)	-
Dividends paid as per the cash flow statement	112.7	35.8
Unrecognised amounts		
Since the end of the financial year, the Directors have declared a final dividend for 2008 of 27.0 cents per share (2007: 26.0 cents), fully franked at 30%, payable 26 September 2008	119.7	112.7

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 2009 financial year.

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will be in operation and the Directors have determined that a discount of 2.5% will be applied when determining the DRP price for the final dividend.

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.

Note 11 - Notes to the cash flow statement

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 and cash equivalents	63.8	279.9
Bank overdraft	-	(0.7)
Cash and cash equivalents attributable to discontinued operations (Note 13)	9.4	-
	73.2	279.2

	2008	2007
	\$	\$
Note 12 - Net tangible asset backing		
Net tangible asset backing per ordinary share	\$4.12	\$7.83

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
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Note 13 - Discontinued operations

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 recognised an impairment loss of \$37.0 million on the carrying value of the GasValpo business.

PNG oil and gas assets - disposal group classified as held for sale

On 22 May 2008, the consolidated entity announced its intention to proceed with the sale of its PNG oil, gas and LNG project assets. The consolidated entity is actively seeking a buyer for its PNG oil and gas business and expects to complete the sale by the end of December 2008. On initial reclassification of these operations as held for sale from 1 May 2008, the consolidated entity has not recognised any impairment losses.

The PNG oil and gas business has been classified and accounted for at 30 June 2008 as a disposal group held for sale.

North Queensland gas pipeline business - disposal group classified as held for sale

On 30 June 2008, the Parent Entity and its 50/50 joint venture partner, Arrow Energy Limited (Arrow), announced they have 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 Parent 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 will retain ownership of the gas processing and compression facility located at Moranbah, which will be 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 is non-core to the consolidated entity's integrated strategy.

Under the terms of the sale, the Parent 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.

On initial reclassification of these operations as held for sale from 1 December 2007, the consolidated entity has not recognised any impairment losses.

The North Queensland gas pipeline business has been classified and accounted for at 30 June 2008 as a disposal group held for sale.

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:

	North				North		
	Chile	PNG oil	Queensland	Total	Chile	PNG oil	Total
	2008	and gas	gas pipeline	2008	2007	and gas	2007
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	46.8	167.9	9.2	223.9	71.5	234.9	306.4
Other income	3.7	33.5	-	37.2	1.8	6.5	8.3
Expenses	(69.2)	(201.1)	(1.9)	(272.2)	(60.1)	(40.9)	(101.0)
Depreciation and amortisation	(4.8)	(61.5)	-	(66.3)	(4.3)	(84.6)	(88.9)
Net financing (costs)/income	(1.0)	0.1	0.1	(0.8)	(1.1)	2.6	1.5
(Loss)/profit before tax	(24.5)	(61.1)	7.4	(78.2)	7.8	118.5	126.3
Income tax expense	(3.2)	(31.1)	(2.2)	(36.5)	(2.6)	(67.4)	(70.0)
	(27.7)	(92.2)	5.2	(114.7)	5.2	51.1	56.3
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	(0.3)	(92.2)	5.2	(87.3)	5.2	51.1	56.3

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

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 13 - Discontinued operations (continued)

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:

	2008	2007
	\$m	\$m
Net cash flows from operating activities	208.9	142.4
Net cash flows from/(used in) investing activities	27.2	(46.8)
Net cash flows from/(used in) financing activities	0.6	(3.2)
Net cash flows from discontinued operations	<u>236.7</u>	<u>92.4</u>

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:

	PNG oil and gas 2008 \$m	North Queensland gas pipeline 2008 \$m	Total 2008 \$m	2007 \$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	<u>362.4</u>	<u>96.9</u>	<u>459.3</u>	-
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	<u>(39.5)</u>	<u>(13.5)</u>	<u>(53.0)</u>	-
Net assets of disposal groups classified as held for sale	<u>322.9</u>	<u>83.4</u>	<u>406.3</u>	-

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 13 - Discontinued operations (continued)

Business disposed

Details of the disposal of Chilean gas distribution business are as follows:

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

	2008	2007
	\$m	\$m
Assets		
Cash and cash equivalents	12.9	-
Trade and other receivables	11.6	-
Inventories	3.6	-
Property, plant and equipment	108.5	-
Deferred tax assets	2.0	-
Other assets	0.5	-
	139.1	-
Liabilities		
Trade and other payables	(11.7)	-
Borrowings	(32.2)	-
Provisions	(0.5)	-
Other liabilities	(0.9)	-
Deferred tax liabilities	(4.2)	-
	(49.5)	-
Net assets disposed	89.6	-
Consideration received or receivable:		
Cash consideration received	70.4	-
Consideration receivable	3.6	-
Total disposal consideration	74.0	-
Less net assets disposed	(89.6)	-
	(15.6)	-
Transferred from foreign currency translation reserve to profit or loss on disposal of foreign operation	12.6	-
Loss on disposal	(3.0)	-
Net cash inflow on disposal:		
Cash consideration received	70.4	-
Less cash and cash equivalent balances disposed of	(12.9)	-
Net cash inflow on disposal	57.5	-

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 14 - Interests in associates, jointly controlled entities and jointly controlled operations and assets

Name of entity	Ownership interest		Contribution to net profit	
	2008 %	2007 %	2008 \$m	2007 \$m
Associates				
Queensland Gas Company Limited (a)	24.9	27.6	67.1	0.8
AlintaAGL Pty Limited (b)	-	33.0	1.9	(3.7)
Greater Energy Alliance Corporation Pty Limited	32.5	32.5	(5.1)	21.6
Gascor Pty Ltd	33.3	33.3	-	-
CSM Energy Limited	35.0	35.0	(0.2)	-
Jointly controlled entities				
ActewAGL Retail Partnership	50.0	50.0	26.1	10.9
Auscom Holdings Pty Limited (c)	50.0	50.0	10.0	6.5
North Queensland Pipeline Management Pty Ltd (d)	50.0	-	-	-
Central Queensland Pipeline Pty Ltd (d)	50.0	-	-	-
MWF JV Pty Limited	50.0	-	-	-
			99.8	36.1

(a) On 4 February 2008, Queensland Gas Company Limited (QGC) announced it had entered into an alliance with global energy company BG Group to build a liquefied natural gas plant on the Queensland coast near Gladstone using coal seam gas supplied by QGC. On 11 April 2008, following completion of the transaction, QGC received about \$415 million from BG Group in return for a 20% share of QGC's existing interests in its Walloon coal seam gas acreage; and about \$249 million as payment for 81,278,451 new shares equivalent to 9.9% of QGC's expanded capital.

As a result of the transaction between QGC and BG Group, the consolidated entity's ownership interest in QGC has been diluted to 24.9%. This dilution resulted in a deemed gain on the disposal of \$22.3 million pre-tax.

The consolidated entity's share of profits from QGC of \$67.1 million includes \$60.3 million from the sale of 20% of QGC's interests in the Walloon coal seam gas acreage.

(b) The consolidated entity disposed of its 33.0% ownership interest in AlintaAGL Pty Limited on 12 December 2007. The sale of the investment resulted in a pre-tax profit of \$123.7 million.

(c) 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 have commenced, and a sale is expected to be completed by the end of September 2008. At the reporting date, the carrying value of the investment was classified as held for sale.

(d) The consolidated entity acquired a 50.0% ownership interest in North Queensland Pipeline Management Pty Ltd and Central Queensland Pipeline Pty Ltd on 1 December 2007 (refer Note 17).

(e) The consolidated entity acquired a 50.0% ownership interest in MWF JV Pty Limited on 21 February 2008.

Jointly controlled operations and assets

Camden Gas Project	50.0	50.0
Sydney Basin Exploration	50.0	50.0
Hunter Exploration	50.0	50.0
Moranbah Gas Project	50.0	50.0
Moranbah Exploration	50.0	50.0
PNG - PDL 2 (Kutubu, Moran, SE Mananda) (Note 13)	11.9	11.9
PNG - PDL 4 (Gobe Main, SE Gobe) (Note 13)	66.7	66.7
PNG - Moran Unit (Note 13)	5.4	5.4
PNG - SE Gobe Unit (Note 13)	27.3	27.3
PNG - PL 2 Kutubu Pipeline (Note 13)	11.9	11.9
PNG - PL 3 Gobe Pipeline (Note 13)	47.0	47.0
North Queensland Energy (Note 17)	50.0	-
North Queensland Gas Pipeline (Notes 13 and 17)	50.0	-

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 15 - Issued capital

	2008		2007	
	Number of shares	\$m	Number of shares	\$m
Movement in fully paid ordinary shares				
Balance at beginning of financial year	433,555,467	3,858.9	2	-
Shares issued under AGL Dividend Reinvestment Plan (a)	2,633,758	29.8	-	-
Shares issued to underwriter of the AGL Dividend Reinvestment Plan (b)	7,164,872	83.1		
Shares issued on demerger (c)	-	-	377,005,465	2,940.7
Placement of ordinary shares (d)	-	-	56,550,000	933.1
Transaction costs, net of related income tax (e)	-	(0.2)	-	(14.9)
Balance at end of financial year	443,354,097	3,971.6	433,555,467	3,858.9

(a) On 16 April 2008, 2,633,758 ordinary shares were issued at \$11.31 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

(b) On 16 April 2008, 7,164,872 ordinary shares were issued at \$11.60 per share to Citigroup Global Markets Australia Pty Limited as underwriter of the AGL Dividend Reinvestment Plan.

(c) On 25 October 2006, 377,005,465 ordinary shares were issued to the shareholders of The Australian Gas Light Company in settlement of the intergroup payable to The Australian Gas Light Company on the demerger of AGL Energy Limited.

(d) On 27 February 2007, 56,550,000 ordinary shares were issued at \$16.50 per share following an institutional share placement.

(e) Transaction costs, net of related income tax represent costs arising from the issue of shares.

	2008	2007
	\$m	\$m
Note 16 - Contingent liabilities and contingent assets		
Contingent liabilities		
Guarantees and warranties in respect of subsidiaries	-	15.9
Contingent consideration under contract (a)	51.0	51.0
	51.0	66.9

(a) Contingent consideration under contract consists of the contingent payment of up to \$51.0 million which will be made if additional reserves are proven in the Camden Gas Project area by 31 December 2008, based upon an agreed reserve formula with reserves verified by an independent external expert.

Other contingent liabilities

Claims and possible claims, indeterminable in amount, have arisen in the course of business against entities in the consolidated entity. Based on legal advice obtained, the Directors of the Parent Entity believe that any resultant liability will not materially affect the financial position of the consolidated entity.

Pursuant to ASIC Class Order 98/1418, the Parent Entity and certain wholly-owned Australian subsidiaries entered in to a new Deed of Cross Guarantee on 27 June 2008. The effect of the Deed is that the Parent Entity will guarantee 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.

There is no expectation of a liability as a result of this guarantee. As a result of this assessment the fair value has been deemed to be nil, hence no liability has been recorded.

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 17 - Acquisition of subsidiaries and businesses

Acquisition of Torrens Island Power Station

On 2 July 2007, the consolidated entity acquired 100% of the issued capital of AGL Torrens Island Holdings Pty Limited from TRUenergy, 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 1,280MW 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.

From the date of acquisition, the business has contributed \$282.4 million to revenue and \$67.8 million to operating profit before net finance costs, changes in fair value of financial instruments and income tax.

Acquisition of North Queensland Merchant Gas and Pipeline businesses

On 1 December 2007, 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. 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 comprises 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 230MW 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 392 km 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 have entered into a sale and purchase agreement with Victorian Funds Management Corporation for the sale of the North Queensland gas pipeline. The joint venture will retain ownership of the gas processing and compression facility located at Moranbah, which will be integrated into the Moranbah Gas Project joint venture. At the reporting date, the carrying value of the gas pipeline business was classified as a disposal group held for sale.

From the date of acquisition, the businesses have contributed \$13.6 million to operating profit before net finance costs, changes in fair value of financial instruments and income tax.

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 17 - Acquisition of subsidiaries and businesses (continued)

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		Total fair value on acquisition \$m
	Book value \$m	Fair value on acquisition \$m	Book value \$m	Fair value on acquisition \$m	
Net assets acquired					
Assets					
Cash and cash equivalents	1.2	1.2	-	-	1.2
Trade and other receivables	46.4	46.4	2.2	2.2	48.6
Inventories	18.7	18.7	0.6	0.6	19.3
Other financial assets	-	-	42.9	42.9	42.9
Other assets	0.1	0.1	0.7	0.7	0.8
Investments accounted for using the equity method	-	-	0.7	0.7	0.7
Property, plant and equipment	319.2	689.4	71.5	107.3	796.7
Intangible assets	-	-	-	63.7	63.7
Deferred tax assets	9.4	62.5	-	-	62.5
	<u>395.0</u>	<u>818.3</u>	<u>118.6</u>	<u>218.1</u>	<u>1,036.4</u>
Liabilities					
Trade and other payables	(5.6)	(5.6)	(2.1)	(2.1)	(7.7)
Provisions	(19.5)	(197.1)	(0.1)	(0.1)	(197.2)
Deferred tax liabilities	(59.6)	(31.4)	(2.2)	(12.8)	(44.2)
Other financial liabilities	-	-	(60.0)	(60.0)	(60.0)
Other liabilities	(7.9)	(7.9)	(1.3)	(1.3)	(9.2)
	<u>(92.6)</u>	<u>(242.0)</u>	<u>(65.7)</u>	<u>(76.3)</u>	<u>(318.3)</u>
Fair value of identifiable net assets		576.3		141.8	718.1
Goodwill on acquisition		-		-	-
		<u>576.3</u>		<u>141.8</u>	<u>718.1</u>
Consideration					
Cash paid including directly attributable costs		479.5		141.8	621.3
Liabilities assumed		96.8		-	96.8
		<u>576.3</u>		<u>141.8</u>	<u>718.1</u>

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 twelve months from the date of acquisition to finalise its acquisition accounting, and therefore the information presented should be considered provisional.

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 17 - Acquisition of subsidiaries and businesses (continued)

Acquisition of Sun Gas Retail

In the 2007 financial year, the consolidated entity acquired 100% of the issued capital of AGL Sales (Queensland) Pty Limited (formerly Sun Gas Retail Pty Ltd) from the Queensland Government on 1 February 2007, for \$74.2 million including transaction costs. The business included approximately 70,800 residential and industrial and commercial gas customers located primarily in south-east Queensland.

Acquisition of Powerdirect

In the 2007 financial year, the consolidated entity acquired 100% of the issued capital of Powerdirect Australia Pty Ltd and Powerdirect Utility Services Pty Ltd from the Queensland Government on 1 March 2007, for \$1,234.0 million including transaction costs. The business included approximately 473,200 residential, small-to-medium enterprise and industrial and commercial electricity customers located primarily in south-east Queensland.

The fair value of the identifiable assets and liabilities of the acquisitions as at the respective dates of acquisition are:

	Provisional fair value on acquisition \$m	Fair value adjustment \$m	Adjusted fair value on acquisition \$m
Net assets acquired			
Assets			
Trade and other receivables	222.2	(0.9)	221.3
Inventories	0.9	(0.8)	0.1
Other assets	61.0	(1.2)	59.8
Other financial assets	222.3	-	222.3
Property, plant and equipment	49.9	-	49.9
Intangible assets	224.0	(39.4)	184.6
	<u>780.3</u>	<u>(42.3)</u>	<u>738.0</u>
Liabilities			
Trade and other payables	(241.6)	(1.3)	(242.9)
Borrowings	(28.5)	-	(28.5)
Provisions	(2.2)	-	(2.2)
Other financial liabilities	(70.1)	-	(70.1)
	<u>(342.4)</u>	<u>(1.3)</u>	<u>(343.7)</u>
Fair value of identifiable net assets	437.9	(43.6)	394.3
Goodwill on acquisition	870.3	43.6	913.9
	<u>1,308.2</u>	<u>-</u>	<u>1,308.2</u>
Consideration			
Cash paid including directly attributable costs	<u>1,308.2</u>	<u>-</u>	<u>1,308.2</u>

The fair values of the assets and liabilities acquired as part of the Sun Gas Retail and Powerdirect acquisitions had only been provisionally determined at 30 June 2007. Upon finalisation of the acquisition accounting, the fair value of identifiable net assets of the acquisitions at the respective dates of acquisition have been amended, resulting in a decrease in the fair value of net assets acquired of \$43.6 million and a corresponding increase in the amount of goodwill recognised at the dates of each acquisition.

Following the finalisation of the provisional acquisition accounting, all identifiable intangible assets have been recognised separately from goodwill. Goodwill arises from various portfolio benefits that will arise from integrating the activities of the Powerdirect and Sun Gas Retail businesses with that of AGL. The acquisition has augmented AGL's position as the largest energy retailer in Australia and enhanced its competitive position by reducing average cost per account across the entire retail business.

	2008 \$m	2007 \$m
Net cash outflow on acquisitions		
Cash paid including directly attributable costs	621.3	1,308.2
Less cash and cash equivalent balances acquired	(1.2)	0.7
Net cash outflow on acquisitions	<u>620.1</u>	<u>1,308.9</u>

AGL Energy Limited and Subsidiaries
Notes to the Financial Statements
For the year ended 30 June 2008

Note 18 - 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:

Final dividend

On 20 August 2008, the Directors of AGL resolved to pay a fully franked final dividend of 27.0 cents per share, amounting to \$119.7 million. The record date for the final dividend is 4 September 2008 with payment to be made on 26 September 2008. Shares will commence trading ex-dividend on 29 August 2008.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and the Directors have determined that a discount of 2.5% will be applied when determining the DRP price for the final dividend.

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.

Note 19 - Information on audits or review

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations or other standards acceptable to ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

5. The entity has a formally constituted Audit and Risk Management committee.



Mark Johnson
Chairman

20 August 2008