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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 2010

Extracts from this report for announcement to the market — *$A Million*

Revenue	**Up**	**9.2%**	To	**6,610.7**
Profit after tax attributable to shareholders (Statutory)	**Down**	**77.7%**	To	**356.1**
Underlying Profit after tax attributable to shareholders	**Up**	**13.2%**	To	**428.9**

Dividends	Amount per ordinary share	Franked amount per ordinary share
Final dividend	30.0¢	0¢
Interim dividend	29.0¢	29.0¢

Record date for determining entitlements to the final dividend:

10 September 2010 and payable on 30 September 2010

Brief explanation of Underlying Profit:

Statutory Profit after tax of $356.1 million included a gain after tax of $49.9 million from significant items and a loss after tax of $122.7 million from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit after tax was $428.9 million, up 13.2% on the prior corresponding period.

Underlying Profit is reported to give information to shareholders that provides a greater understanding of the performance of AGL's operations.

AGL Energy Limited ("AGL") previously provided Underlying Profit guidance of $420 million to $430 million for the year ended 30 June 2010.

An analysis of these results is in the Directors' Report attached to this announcement.

AGL Energy Limited and Subsidiaries
Preliminary Final Report
For the year ended 30 June 2010

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Directors' Report for the year ended 30 June 2010 (incorporating the commentary by Directors and dividend announcement made to the Australian Securities Exchange Limited on 26 August 2010)

The Directors report on the AGL Energy Limited (AGL) consolidated entity for the year ended 30 June 2010 in accordance with the Corporations Act 2001.

1. Results

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Operating EBIT	**652.1**	643.1
Net finance costs	**(47.5)**	(94.0)
Underlying Profit before tax	**604.6**	549.1
Income tax expense	**(175.7)**	(170.3)
Underlying Profit	**428.9**	378.8

Underlying Profit is the Statutory Profit adjusted for significant items, changes in fair value of financial instruments and, for the year ended 30 June 2009, a pro-forma adjustment relating to AGL's PNG oil and gas assets. AGL believes that Underlying Profit provides a better understanding of its financial performance and allows for more relevant comparison of financial performance between financial periods.

Underlying Profit has been prepared with reference to the guidance issued by the Australian Institute of Company Directors (AICD) and the Financial Services Institute of Australasia (Finsia). AGL's policy for reporting Underlying Profit is consistent with this guidance and the Directors have had the consistency of the application of the policy independently assessed.

The following table reconciles Statutory Profit to Underlying Profit.

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Profit after tax attributable to shareholders (Statutory)	**356.1**	1,596.1
Adjust for the following after tax items:		
Significant items[(1)]	**(49.9)**	(1,441.3)
Changes in fair value of financial instruments[(2)]	**122.7**	251.0
Pro-forma adjustment[(3)]	**-**	(27.0)
Underlying Profit	**428.9**	378.8

(1) Section 1.1
(2) Section 1.2
(3) Section 1.3

1.1 Significant Items

	Year ended 30 June 2010		Year ended 30 June 2009	
	Pre-tax	**PAT**	Pre-tax	PAT
	$m	**$m**	$m	$m
Acquisition costs	**(5.1)**	**(4.4)**	-	-
Demerger adjustments	**-**	**-**	(16.1)	2.6
Divestment of non-core businesses	**-**	**-**	1,696.3	1,429.6
Gain in fair value of oil derivatives	**-**	**-**	160.8	75.0
Impairment of non-current assets	**(21.7)**	**(15.2)**	(37.2)	(26.0)
Onerous contract	**-**	**-**	(3.8)	(2.7)
Phoenix change program costs	**(11.7)**	**(8.2)**	(49.5)	(34.7)
Redundancy, termination and restructuring costs	**(11.1)**	**(7.8)**	(3.6)	(2.5)
Tax consolidation adjustment	**-**	**85.5**	-	-
Total significant items	**(49.6)**	**49.9**	1,746.9	1,441.3

1.1.1 Acquisition costs

Acquisition related costs of $5.1 million before tax and $4.4 million after tax were incurred on activities including privatisation of energy assets in New South Wales, AGL's proposal to acquire Mosaic Oil N.L. pursuant to a Scheme of Arrangement, and the acquisition of the Barn Hill wind farm development site.

1.1.2 Impairment of non-current assets

AGL terminated an IT outsourcing contract with IBM in March 2010. This resulted in asset write-offs totalling $7.8 million before tax and $5.5 million after tax.

Exploration and evaluation results in the Cooper Basin (Innamincka) joint venture were not supportive of commercial development of the coal seam gas potential. This resulted in asset write-offs totalling $13.9 million before tax and $9.7 million after tax.

1.1.3 Phoenix change program costs

During the first half of the financial year one-off costs totalling $11.7 million before tax and $8.2 million after tax were incurred in relation to Project Phoenix, which has rationalised and redesigned core Retail Energy operating processes and systems. No significant items relating to Project Phoenix were incurred during the second half of the financial year and none are anticipated in future periods.

1.1.4 Redundancy, termination and restructuring costs

Redundancy, termination and restructuring costs of $11.1 million before tax and $7.8 million after tax related mainly to costs associated with transitioning IT outsourcing services from IBM to Tata Consultancy Services.

1.1.5 Tax consolidation adjustment

In June 2010, amendments to the income tax law were enacted that will allow AGL to correct an anomaly in the application of the tax consolidation rules to the merger / demerger transaction with Alinta Limited in October 2006. AGL can now claim as a deductible expense, over the 2007 to 2010 tax years, the tax values allocated to most of AGL's energy derivative transactions in place at the date of the merger / demerger. This results in a credit to income tax expense of $85.5 million and a tax refund of approximately $89.0 million, which AGL expects to receive in the next 12 months.

1.2 Changes in Fair Value of Derivative Financial Instruments

AGL uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and electricity purchase 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 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 hedge 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. During periods of volatile prices these hedges can create substantial volatility in AGL's earnings.

The change in fair value of financial instruments recognised in profit and loss for the year was a loss of $177.4 million before tax and $122.7 million after tax.

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 2010	30 June 2009	Change
	$m	$m	$m
Electricity derivative contracts	**(474.3)**	(48.2)	(426.1)
Interest rate swap and foreign currency derivative contracts	**(7.2)**	(22.8)	15.6
Total net liabilities for derivative contracts	**(481.5)**	(71.0)	(410.5)
Change in derivative net liability	**(410.5)**		
Premiums paid	**(128.3)**		
Equity accounted Loy Yang fair value	**5.0**		
Premium roll off	**135.1**		
Total change in fair value	**(398.7)**		
Recognised in equity hedge reserve	**(221.3)**		
Recognised in profit and loss	**(177.4)**		
Total change in fair value	**(398.7)**		

1.3 Pro-Forma Adjustment

Due to the reclassification of AGL's PNG investment 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 ended 30 June 2009 the net impact of the reduced depreciation and amortisation was to increase profit by $27.0 million. As the PNG assets were sold in the year ended 30 June 2009, there was no need to make a similar adjustment in the year ended 30 June 2010.

2. Earnings per Share

Earnings per share calculated on the profit after tax attributable to shareholders (Statutory) were 79.3 cents compared with 358.0 cents in the prior corresponding period.

Earnings per share calculated on the Underlying Profit attributable to shareholders were 95.6 cents compared with 85.0 cents in the prior corresponding period.

3. Dividend

Following the Directors satisfying themselves that the:

- company's assets exceeded its liabilities immediately before declaring the dividend and the excess was sufficient for the payment of the dividend;
- payment of the dividend was fair and reasonable to the company's shareholders as a whole; and
- payment of the dividend would not materially prejudice the company's ability to pay its creditors.

a final dividend of 30.0 cents per share for the year has been declared, a 7.1% increase on the prior corresponding period's final dividend of 28.0 cents per share. The final dividend will be paid on 30 September 2010. The record date to determine shareholders' entitlements to the final dividend is 10 September 2010 and shares will commence trading ex-dividend on 6 September 2010.

The final dividend will be unfranked due to the anticipated receipt of a significant taxation refund. A detailed explanation of the refund is available in Section 1.1.5

This will bring the annual dividend to 59.0 cents per share compared with 54.0 cents per share in the previous corresponding period, an increase of 9.3%.

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

4. Review of Operations

The following review of operations focuses on the Earnings before Interest and Tax ("EBIT") before changes in fair value of financial instruments and significant items and after pro-forma adjustments ("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 2010 was $652.1 million compared with $643.1 million for the prior corresponding period. The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory)		EBIT (Operating)	
	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	**Year ended 30 June 2010 $m**	Year ended 30 June 2009 $m
Retail Energy [(1)]	**304.7**	196.1	**318.7**	266.8
Merchant Energy [(2)]	**203.7**	80.4	**386.1**	402.8
Upstream Gas [(3)] [(6)]	**(8.5)**	1,728.6	**5.5**	29.9
Energy Investments [(4)]	**76.6**	217.6	**81.7**	74.8
Centrally managed expenses [(5)]	**(163.1)**	(154.5)	**(139.9)**	(131.2)
Total	**413.4**	2,068.2	**652.1**	643.1
Depreciation and amortisation [(6)]			**137.5**	150.0
Operating EBITDA			**789.6**	793.1
Average funds employed			**6,953.8**	6,644.4
EBIT / Average funds employed [(6)]			**9.4%**	9.7%

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

[(1)] Section 4.1
[(2)] Section 4.2
[(3)] Section 4.3
[(4)] Section 4.4
[(5)] Section 4.5
[(6)] Includes PNG pro-forma adjustment of $27.0 million for the year 30 June 2009

4.1 Retail Energy Operating EBIT: Increased 19.5% to $318.7 million from $266.8 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory EBIT	**304.7**	196.1
Significant items	**12.4**	69.4
Finance income included in EBIT	**1.6**	1.3
Operating EBIT	**318.7**	266.8
Add back:		
Depreciation and amortisation	**41.5**	36.2
Operating EBITDA	**360.2**	303.0
Average funds employed	**3,139.2**	3,114.8
EBIT/Average funds employed	**10.2%**	8.6%

Retail Energy is responsible for servicing customers and growing AGL's position in downstream gas and electricity markets. Retail Energy currently services 3.2 million residential and small business customers as well as commercial and industrial (C&I) customers, across New South Wales, Victoria, South Australia and Queensland.

The key business priorities for Retail Energy are to build AGL's retail capability, achieve operational excellence and continue improving customer service.

Retail Energy sources its energy from AGL's Merchant Energy business. For mass market customers, the transfer price for this energy is calculated based on methodologies adopted by regulators for determining wholesale energy costs in setting tariffs. For AGL's C&I customers, the transfer price reflects the market wholesale price at the time of contracting.

4.1.1 Analysis of Operating EBIT

Retail Energy contributed $318.7 million to Operating EBIT for the year, up 19.5% on the prior corresponding period. The main factors contributing to the increase in Operating EBIT are summarised in the table below.

	$m
Operating EBIT for the year ended 30 June 2009	**266.8**
Increase in gas and electricity gross margin	71.1
Increase in depreciation and amortisation	(5.3)
Increase in net operating costs	(13.9)
Operating EBIT for the year ended 30 June 2010	**318.7**

4.1.1.1 Gross Margin

Gross margin, excluding fees and charges, increased by $71.1 million, or 12.7% compared with the prior corresponding period. Of this increase, $39.5 million related to mass market gross margin and $31.6 million to C&I gross margin.

Mass market gross margin increases were primarily driven by regulatory and contract outcomes in New South Wales and Queensland, contract performance in Victoria and a continuing focus on high value customers. C&I gross margin increases were due to a focus on higher value customers through acquisition, recontracting and service activities. The following table shows a further gross margin breakdown by fuel type:

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	Movement %
Mass market electricity	**345.0**	317.3	8.7
Mass market gas	**188.3**	176.5	6.7
C&I electricity	**49.6**	31.3	58.5
C&I gas	**48.7**	35.4	37.6
Fees and charges	**63.7**	50.9	25.1
Total gross margin	**695.3**	611.4	13.7
Gross margin excluding fees and charges	**631.6**	560.5	12.7

During the year AGL changed the way it accounted for energy consumption where AGL could not identify a valid customer to invoice. This change in accounting treatment reduced gross margin by $9.9 million and, at the same time, reduced bad and doubtful debt costs by $9.9 million. This adjustment affected only accounting classification and had no impact on Operating EBIT.

4.1.1.2 Depreciation and Amortisation

Depreciation and amortisation increased by $5.3 million as a result of a full year's depreciation of the new SAP system.

4.1.1.3 Net Operating Costs

Retail Energy's net operating costs increased by $19.2 million, or 6.5%, during the year compared with the prior corresponding period. The following table provides the breakdown of the material increases in net operating costs:

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	Movement %
Labour	**(115.7)**	(99.3)	16.5
Bad and doubtful debt	**(49.4)**	(57.3)	(13.8)
Campaigns and advertising	**(65.0)**	(54.8)	18.6
Other expenditure	**(105.0)**	(97.0)	8.2
Total excluding depreciation and amortisation	**(335.1)**	(308.4)	8.7
Depreciation and amortisation	**(41.5)**	(36.2)	14.6
Fees and charges	**63.7**	50.9	25.1
Net operating costs	**(312.9)**	(293.7)	6.5

Labour costs increased as a result of:

1) the additional work effort required to maintain low unbilled levels.;
2) increased sales and sales support to achieve the uplift in C&I gross margin; and
3) more resources in the sales fulfilment team to cope with the increase in new connections and transfers.

The decrease in bad and doubtful debt expense was mainly due to the $9.9 million accounting adjustment explained in Section 4.1.1.1 above.

AGL's credit improvement program, including early intervention, debt segmentation and improving the disconnection for non-payment process, also assisted in managing bad and doubtful debt expense.

Campaign and advertising expenditure increased due to higher spending on retention and acquisition activities driving increased gross margin and increased customer numbers.

Market churn continues to be at high levels. In the 12 months to 30 June 2010, industry market churn increased by 1.3 percentage points (ppts), from 17.4% to 18.7%. AGL churn across all markets was 14.7% (14.0% in the prior corresponding period), 4 ppts below the industry average. Victoria has been confirmed as the most competitive energy market in the world, with average gas and electricity churn rates in excess of 26% for the year (Energy Retailers Association of Australian media release, May 2009). South Australia, Queensland, and New South Wales are also among the most competitive markets in the world.

4.1.2 Hansen Hub Conversion

Approximately 100,000 mass market customers were successfully transferred from Hansen Hub, a legacy mass market billing system, onto AGL's new SAP billing system in November 2009. Consequently, all AGL branded mass market customers are now billed from the SAP system.

4.1.3 Dual Fuel Strategy

Retail Energy continued to pursue its dual fuel strategy. AGL now services 1.36 million dual fuel customer accounts, compared with 1.24 million as at 30 June 2009, a 9.9% increase.

4.1.4 Customer Profitability

AGL uses gross margin per customer as its primary measure of customer profitability, with EBIT/Sales used as a secondary measure.

4.1.4.1 Mass Market Gross Margin per Mass Market Customer

	Year ended 30 June 2010	Year ended 30 June 2009	Movement %
Mass market gross margin	**$533.3m**	$493.8m	8.0
Average customer numbers	**3,205,600**	3,191,900	0.4
Mass market gross margin per customer	**$166.35**	$154.71	7.5

The increase in gross margin per mass market customer was due mainly to more appropriate tariff structures that reflect fixed and market based costs and the results of efforts to attract more high value customers.

4.1.4.2 EBIT / Sales Analysis

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	Movement %
Electricity revenue	**4,010.0**	3,475.2	15.4
Gas revenue	**1,511.9**	1,497.8	0.9
Other fees and charges	**63.7**	50.9	25.1
Total revenue	**5,585.6**	5,023.9	11.2
Cost of sales	**(4,890.3)**	(4,412.5)	10.8
Gross margin	**695.3**	611.4	13.7
Operating costs (excl D&A)	**(335.1)**	(308.4)	8.7
EBITDA	**360.2**	303.0	18.9
Depreciation and amortisation	**(41.5)**	(36.2)	14.6
EBIT	**318.7**	266.8	19.5
EBIT / Sales %	**5.7%**	5.3%	0.4 ppts

EBIT / Sales rose due to increased mass market and C&I gross margins notwithstanding an increase in operating costs.

4.1.5 Operating Efficiency

AGL focuses on net operating costs as a percentage of gross margin (excluding fees and charges) as the primary measure of operating efficiency. As a secondary measure, cost to serve is also analysed.

4.1.5.1 Net Operating Costs as a Percentage of Gross Margin

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	Movement %
Net operating costs	**(312.9)**	(293.7)	6.5
Gross margin	**695.3**	611.4	13.7
Fees and charges	**(63.7)**	(50.9)	25.1
Gross margin less fees and charges	**631.6**	560.5	12.7
Net operating costs as percentage of gross margin (less fees and charges)	**49.5%**	52.4%	2.9 ppts

Net operating costs as a percentage of gross margin improved by 2.9 ppts. Gross margin less fees and charges increased by 12.7% primarily as a result of stronger pricing outcomes in both C&I and mass market. Net operating costs increased by 6.5% largely as a result of higher labour and campaigning costs incurred to achieve the gross margin growth.

4.1.5.2 Cost to Serve Analysis

	Year ended 30 June 2010 $	Year ended 30 June 2009 $	Movement %
Net operating costs	**(312.9)m**	(293.7)m	6.5
Net operating cost per customer account	**(97.11)**	(91.47)	6.2
Cost to grow/retain	**(77.5)m**	(67.5)m	14.8
Cost to grow per account acquired/retained	**(86.84)**	(81.63)	6.4
Cost to serve	**(235.4)m**	(226.2)m	4.1
Cost to serve per customer account	**(73.06)**	(70.46)	3.7

The underlying net operating cost per customer account for the year was $97.11, a 6.2% increase on the prior corresponding period. This increase in cost to serve for the year is explained in Section 4.1.1.3.

The cost to grow/retain increased by 14.8% for the year, reflecting the highly competitive market conditions.

4.1.6 Customer Numbers and Competition

High levels of competitor activity persisted throughout the year. The following table provides a breakdown of customer numbers by state.

	30 June 2010 (‘000)	30 June 2009 (‘000)	Movement (‘000)	Movement %
Electricity				
Victoria	**643**	652	(9)	(1.4)
South Australia	**478**	464	14	3.0
New South Wales	**381**	329	52	15.8
Queensland	**371**	362	9	2.5
	1,873	1,807	66	3.7
Gas				
Victoria	**468**	473	(5)	(1.1)
South Australia	**97**	85	12	14.1
New South Wales	**727**	752	(25)	(3.3)
Queensland	**77**	79[1]	(2)	(2.5)
	1,369	1,389	(20)	(1.4)
Total	**3,242**	3,196	46	1.4

1. Following the Hansen Hub conversion (see section 4.1.2) and relevant customer account reconciliations, a downward revision has been made to the opening balance for the year of 7,400 in Queensland Gas.

4.2 Merchant Energy Operating EBIT: Decreased 4.1% to $386.1 million from $402.8 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory EBIT	**203.7**	80.4
Significant items	**-**	15.6
Change in fair value of financial instruments	**182.4**	306.8
Operating EBIT	**386.1**	402.8
Add back:		
Depreciation and amortisation	**63.7**	57.8
Operating EBITDA	**449.8**	460.6
Average funds employed	**2,518.7**	2,273.7
EBIT/Average funds employed	**15.3%**	17.7%

Merchant Energy is responsible for developing, 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. Merchant Energy also manages the business relationship with AGL's largest 700 energy customers, providing them with beyond the meter services such as energy efficiency advice and broader carbon management services. The business uses financial hedges, bilateral contracts and physical generation to ensure adequacy of competitively priced supply. Generation assets include Australia's largest privately owned and operated renewable portfolio and a pipeline of development opportunities that positions AGL to benefit from Australia's Mandatory Renewable Energy Target.

Merchant Energy is structured into four business units: Energy Portfolio Management, Merchant Operations, Energy Services and Power Development.

The contribution of each business unit to Merchant Energy's Operating EBIT and EBITDA is set out in the following table.

	Operating EBIT		Operating EBITDA	
	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Energy Portfolio Management	**426.1**	434.2	**437.3**	444.2
Merchant Operations	**(103.8)**	(97.0)	**(60.2)**	(57.4)
Energy Services	**17.3**	22.4	**26.2**	30.5
Power Development	**56.9**	51.1	**56.9**	51.1
Sundry Expenses	**(10.4)**	(7.9)	**(10.4)**	(7.8)
Total Merchant Energy	**386.1**	402.8	**449.8**	460.6

4.2.1 Energy Portfolio Management Operating EBIT: Decreased 1.9% to $426.1 million from $434.2 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Wholesale Electricity	**313.7**	318.6
Wholesale Gas	**102.3**	105.9
Eco-Markets	**35.9**	36.6
Gross margin	**451.9**	461.1
Operating costs	**(14.7)**	(16.9)
Operating EBITDA	**437.2**	444.2
Depreciation and amortisation	**(11.1)**	(10.0)
Operating EBIT	**426.1**	434.2

Energy Portfolio Management (EPM) is responsible for managing the price risk associated with procuring electricity, gas and green product obligations. It also controls the dispatch of owned and contracted generation assets which complement the portfolio of electricity hedges.

To effectively manage risk, 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, Earnings at Risk limits and routine reporting to the Board.

The risk policy mandates that the principal purpose of electricity trading is to hedge AGL's market price exposure resulting from operating an integrated energy business. The 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 to optimise risk and return.

4.2.1.1 Wholesale Electricity Gross Margin: Decreased 1.5% to $313.7 million from $318.6 million

The Wholesale Electricity business unit is responsible for managing the procurement and hedging of AGL's wholesale electricity requirements, commercial management of the generation portfolio and wholesale pricing to support AGL's retail business.

The overall small decline in Operating EBIT was the result of a number of largely offsetting influences.

The year was characterised by mild winter conditions, which reduced volumes and wholesale gross margin. In addition there were fewer periods of extreme summer temperatures in South Australia and Victoria compared to previous years which reduced the benefit from AGL's generation and hedge portfolio. The portfolio benefited generally from lower underlying electricity pool prices (those below $300/MWh) and falls in wholesale contract prices. However, unrelated interregional constraints between New South Wales and Queensland meant that Wholesale Electricity could not rely on the portfolio benefits between the two states, which increased the cost of hedging.

4.2.1.2 Wholesale Gas Gross Margin: Decreased 3.4% to $102.3 million from $105.9 million

The Wholesale Gas business unit is responsible for sourcing and managing AGL's gas supply and transportation portfolio to maximise wholesale price effectiveness for the Retail business. Wholesale Gas also supplies other retailers and internal and third party gas fired generators.

During the year ended 30 June 2009, gas constraints in the Victorian market led to a short period of high volatility which allowed the Wholesale Gas business to realise additional portfolio benefits of approximately $27.0 million. Despite the same level of volatility not repeating in the year ended 30 June 2010, and particularly mild weather in July and September 2009 and May 2010, effective management of the gas portfolio limited the overall gross margin decrease to $3.6 million or 3.4%.

4.2.1.3 Eco-Markets Gross Margin: Decreased 1.9% to $35.9 million from $36.6 million

Eco-Markets is responsible for managing the purchase, internal creation and hedging of AGL's green product needs. This involves balancing the internal and external sources of green products with the state based compliance liabilities driven by AGL's operations in those states.

Despite a rise in costs, lower NGAC and GEC customer prices were achieved compared with the prior corresponding period. Offsetting the negative gross margin impact from NGACs and GECs were lower REC costs and voluntary scheme surrender costs.

4.2.2 Merchant Operations Operating Expense: Increased 7% to $103.8 million from $97.0 million

Merchant Operations is responsible for managing and maintaining both owned and third party generation assets. AGL's thermal and renewable generation portfolio includes the 1,280MW gas fired Torrens Island Power Station, the 150MW gas fired Somerton Power Station and 796MW of hydro generation. AGL is also responsible for managing Wattle Point, Hallett 1 and Hallett 2 wind farms.

Merchant Operations is largely a cost centre with all generation revenues and variable fuel costs included in the Energy Portfolio Management results.

The increase in Merchant Operations operating expense was due to increased labour, maintenance, insurance and depreciation expenses, partly offset by targeted reductions in other operating expenses. Hallett 1 wind farm was also in operation for a full 12 months compared with nine months in the prior corresponding period.

Merchant Operations major operational achievements were:

- Continued refurbishment of the 62MW West Kiewa Power Station. During the year, Unit 1 refurbishment was completed with the unit being returned to service two weeks ahead of schedule;

- At Torrens Island Power Station, the operations team continued work on modernising the majority of the plant's control systems. This is a three year project forecast to cost approximately $40 million with the final stage to be commissioned in November 2011. The project is on schedule.

The Kiewa scheme experienced an average snow melt from winter 2009 and dam levels rose accordingly.

The Dartmouth hydro facility was unable to generate during the year due to insufficient water levels. However, inflows to the dam continued to improve over the period with a commensurate rise in water level resulting in an increase in dam levels to 32.8% at 30 June 2010 from 21.0% at 30 June 2009.

Bogong Power Station was officially opened on 20 November 2009 and, as at 30 June 2010, it was available for commercial operation at its nameplate rating of 140MW.

4.2.3 Energy Services Operating EBIT: Decreased 22.8% to $17.3 million from $22.4 million

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

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

During the year, the Brisbane City Council Compressed Natural Gas (CNG) bus facility at Willawong and the expanded CNG refuelling facility at Leichhardt in New South Wales commenced operations. The Coffs Harbour landfill gas flaring project achieved practical completion in December 2009 and an expansion of the Rockingham landfill was completed in April 2010.

Other major projects included the 2.1MW Melbourne Water Stage 3 expansion which was fully operational by May 2010.

The decline in earnings arose largely from HC Extractions where lower LPG prices and planned outages reduced Operating EBIT by $3.3 million compared with the prior corresponding period.

The remaining reduction in Operating EBIT was due to a loss on disposal of a biogas asset, an impairment charge at one of the landfill sites and higher labour costs.

4.2.4 Power Development Operating EBIT: Increased 11.4% to $56.9 million from $51.1 million

Power Development Operating EBIT consists of profits from developing wind farms, less operating expenses associated with the business unit. Development profits from the construction of wind farms are recognised on a percentage of completion basis.

Development profits of $57.0 million were recognised in the year compared with $54.6 million in the prior corresponding period.

The balance of Operating EBIT for the year consisted of $1.7 million profit from the disposal of Brown Hill North Pty Ltd offset by $1.8 million of development costs, compared with $3.5 million of development costs in the prior corresponding period.

Hallett 2 wind farm was commissioned and became operational during the year. Construction of Hallett 4 continued and construction of Oaklands Hill and Hallett 5 wind farm projects commenced.

4.3 Upstream Gas Operating EBIT: Decreased by 81.6% to $5.5 million from $29.9 million

Operating EBIT for the year was $5.5 million compared with $29.9 million for the prior corresponding period. A reconciliation of Statutory EBIT to Operating EBIT and EBITDA is presented below:

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory EBIT	**(8.5)**	1,728.6
Significant items	**14.0**	(1,705.3)
Changes in fair value of financial instruments	**-**	33.6
Pro-forma depreciation adjustment	**-**	(27.0)
Operating EBIT	**5.5**	29.9
Add back:		
Depreciation and amortisation (including pro-forma)	**21.1**	44.3
Operating EBITDA	**26.6**	74.2

Upstream Gas is responsible for AGL's investments and operations in gas exploration, development and production tenements, as well as exploration and development of geothermal renewable energy sources. The portfolio is divided into two broad regions: (i) Queensland / South Australia; and (ii) New South Wales.

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

	Operating EBIT		**Operating EBITDA**	
	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m	**Year ended 30 June 2010 $m**	Year ended 30 June 2009 $m
PNG upstream investment [1] (including pro-forma adjustment)	**-**	22.4	**-**	49.4
Queensland / South Australia	**4.7**	7.3	**16.2**	19.0
New South Wales	**4.3**	1.2	**13.7**	6.7
Equity investments	**(2.2)**	2.3	**(2.2)**	2.3
Sundry	**(1.3)**	(3.3)	**(1.1)**	(3.2)
Total Upstream Gas	**5.5**	29.9	**26.6**	74.2

[1] On 18 December 2008, AGL completed the sale of its oil and gas exploration and production interests in Papua New Guinea.

4.3.1 Queensland / South Australia Operating EBIT: Decreased by 35.6% to $4.7 million from $7.3 million

The Queensland / South Australia portfolio includes the Moranbah Gas Project (MGP) joint venture, the upstream elements of the North Queensland Energy (NQE) joint venture, the Galilee Basin, Cooper Basin and Spring Gully joint ventures and, until March 2010, the gas market development services agreement with Queensland Gas Company Limited (QGC) (part of BG Group).

Operating EBIT contribution from the combined MGP and NQE joint ventures was $0.3 million compared to a loss of $0.3 million in the prior corresponding period. Gas sales increased by 16% from 6.9 PJ to 8.0 PJ. Sales in the prior corresponding period were adversely impacted by a six week scheduled maintenance outage at the Yabulu Power Station.

Operating EBIT contribution from AGL's interests in the Cooper Basin, acquired in January 2009, was a loss of $1.2 million compared to $0.3 million in the prior corresponding period. The current year Operating EBIT included a full year of operations.

The gas market development services agreement with QGC expired in March 2010. This agreement generated Operating EBIT of $5.6 million compared to $7.5 million in the prior corresponding period.

4.3.2 New South Wales Operating EBIT: Increased 258.3% to $4.3 million from $1.2 million

The New South Wales portfolio includes the Camden Gas Project, Sydney Basin (including Hunter Valley) exploration and Gloucester Basin development assets.

Operating EBIT contribution from the Camden Gas Project was $4.3 million compared to $1.2 million in the prior corresponding period. Gas sales increased by 73% from 3.3 PJ to 5.7 PJ, largely as a result of AGL increasing its interest in the Project from 50% to 100% in April 2009 following completion of the acquisition of Sydney Gas Limited. Operating costs per GJ of gas sales were also lower in the year ended 30 June 2010 with savings in production and overhead costs.

Seven horizontal wells were drilled and completed at Camden during the year. Three of the wells have been connected to the production network and are now producing. The remaining four wells are being dewatered.

4.3.3 Equity Investments Operating EBIT: Decreased 195.7% to ($2.2 million) from $2.3 million

Equity investments include AGL's share investments in CSM Energy Limited (CSME), Torrens Energy Limited (TEY) and, previously, QGC.

AGL has a 35% shareholding in CSME, an unlisted public company. The Operating EBIT contribution from this investment was a loss of $0.2 million compared to a loss of $0.3 million in the prior corresponding period.

AGL's 10% shareholding in TEY was written-down to current market value at 30 June 2010 resulting in a loss of $2.0 million. There was no impairment in the prior corresponding period.

AGL disposed of its shareholding in QGC on 5 November 2008, so the Operating EBIT contribution from this investment was nil compared to $2.6 million in the prior corresponding period.

4.3.4 Sundry Operating EBIT: Decreased 60.6% to ($1.3 million) from ($3.3 million)

The Sundry result includes AGL's disposal of its 100% ownership interest in AGL Pipelines Investments Pty Limited, the subsidiary that owned the Berwyndale to Wallumbilla Pipeline, on 22 April 2010. The sale of the business resulted in a pre-tax profit of $4.1 million and an after tax profit of $0.8 million.

4.3.5 Gas Sales and Reserves Position

The following table summarises the sales volume and associated revenue from each operating region during the period:

AGL share of operations	**Year ended 30 June 2010**	Year ended 30 June 2009
Gas sales volume (PJ)		
Queensland / South Australia	**8.0**	6.9
New South Wales	**5.7**	3.3
Total gas sales	**13.7**	10.2
Sales revenue ($m)		
Queensland / South Australia*	**18.7**	16.2
New South Wales	**20.1**	11.1
Total sales revenue	**38.8**	27.3
Average gas price ($/GJ)	**2.83**	2.68

* Includes revenue attributable to AGL's 50% interest in the Moranbah Gas Project and its Gas Supply Agreement with the North Queensland Energy joint venture.

AGL's share of proved plus probable (2P) and proved plus probable plus possible (3P) coal seam gas (CSG) reserves by project is summarised in the table below:

AGL share of CSG reserves (PJ)	**30 June 2010**		31 December 2009	
	2P	**3P**	2P	3P
Moranbah Gas Project (50%)	**501**	**1,022**	506	1,027
Gloucester Gas Project (100%)	**669**	**832**	423	630
Camden Gas Project (100%)	**154**	**201**	126	170
Spring Gully Project (various)	**8**	**10**	7	9
Sub-Total	**1,332**	**2,065**	1,062	1,836
ATP 364P back-in rights (50%) [1]	**246**	**1,307**	246	1,307
Total	**1,578**	**3,372**	1,308	3,143

[1] Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

As a result of exploration activities, gas reserves for PEL 285 in the Gloucester Basin were upgraded by 58% to 669 PJ at the 2P level and by 32% to 832 PJ at the 3P level as at 30 June 2010. Appraisal and development activities in the Camden area have yielded reserves upgrades of 22% to 154 PJ at the 2P level and of 18% to 201 PJ at the 3P level.

The fall in gas reserves at Moranbah over the six months ended 30 June 2010 was due solely to gas production during the period.

4.4 Energy Investments Operating EBIT: Increased 9.2% to $81.7 million from $74.8 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory EBIT	**76.6**	217.6
Significant items	**-**	(149.9)
Finance income from Loy Yang investment	**10.1**	11.2
Change in fair value of financial instruments (Loy Yang)	**(5.0)**	(4.1)
Operating EBIT	**81.7**	74.8
Add back:		
Depreciation and amortisation	**-**	-
Operating EBITDA	**81.7**	74.8

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

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
ActewAGL	**30.4**	27.9
Elgas (50% ownership disposed)	**-**	10.6
Loy Yang	**45.1**	30.8
Other	**6.2**	5.5
Operating EBIT	**81.7**	74.8

4.4.1 ActewAGL (50% AGL Ownership) Operating EBIT: Increased 9.0% to $30.4 million from $27.9 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 business.

ActewAGL Retail partnership contributed an equity share of profits of $30.4 million for the year compared with $27.9 million for the prior corresponding period.

The favourable outcome resulted from increased volumes in both the gas and electricity markets. Notwithstanding the pressure on margins in both gas and electricity, the partnership has delivered a sound financial performance while increasing the number of gas customers and electricity customers.

4.4.2 Loy Yang Investment Operating EBIT: Increased 46.4% to $45.1 million from $30.8 million

Operating EBIT of $45.1 million comprised an equity share of profit of $35.0 million compared with $19.7 million for the corresponding prior period and interest income of $10.1 million compared with $11.1 million for the prior corresponding period.

Loy Yang's operating result improved largely due to an improved sold contract position and higher generation volumes offset by a reduction in the pool price, as shown in the following table

Average Victorian Reference Pool Price and Loy Yang Generation

	1st six months $/MWh	2nd six months $/MWh	Full year $/Mwh	Generation Volumes GWh
FY2009	36.17	47.55	41.82	14,911
FY2010	25.83	44.48	35.14	15,518

Loy Yang also benefited from a 1.8% reduction in interest expense partly offset by a 4.7% increase in operating costs as a result of higher labour and maintenance costs.

4.5 Centrally Managed Expenses: Increased 6.6% to $139.9 million from $131.2 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory EBIT	**(163.1)**	(154.5)
Significant items	**23.2**	23.3
Operating EBIT	**(139.9)**	(131.2)
Add back:		
Depreciation and amortisation	**11.2**	11.7
Operating EBITDA	**(128.7)**	(119.5)

The following table provides a more detailed breakdown of centrally managed expenses.

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Labour	**(39.4)**	(34.1)
Office leases	**(16.5)**	(14.3)
Hardware and software costs	**(40.7)**	(36.5)
Consultants and contractor fees	**(8.0)**	(8.4)
Insurance premiums	**(5.6)**	(5.9)
Depreciation and amortisation	**(11.2)**	(11.7)
Other	**(18.5)**	(20.3)
Total	**(139.9)**	(131.2)

Hardware and software costs increased due to higher software license fees, infrastructure costs and application support costs associated with company-wide productivity projects. Office lease costs increased due to increased floor space at the Sydney and Melbourne offices plus office space associated with the Sydney Gas Limited acquisition. Labour costs increased due to the transfer of employees from other Business Units.

AGL centrally manages a number of expense items, including information technology and office leases, 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 tables provide further analysis of the centrally managed expenses incurred on behalf of business units during the years ended 30 June 2010 and 30 June 2009.

30 June 2010	Centrally Managed Expenses $m	Reallocate Retail Energy $m	Reallocate Merchant Energy $m	Reallocate Upstream Gas $m	Unallocated $m
Labour	(39.4)	-	-	-	(39.4)
Office leases	(16.5)	10.3	3.9	0.6	(1.7)
Hardware and software costs	(40.7)	24.4	12.0	0.2	(4.1)
Consultants and contractor fees	(8.0)	0.6	0.3	-	(7.1)
Insurance premiums	(5.6)	0.6	4.5	0.3	(0.2)
Depreciation and amortisation	(11.2)	6.7	3.3	0.1	(1.1)
Other	(18.5)	3.1	1.6	-	(13.8)
Total	(139.9)	45.7	25.6	1.2	(67.4)

30 June 2009	Centrally Managed Expenses $m	Reallocate Retail Energy $m	Reallocate Merchant Energy $m	Reallocate Upstream Gas $m	Unallocated $m
Labour	(34.1)	1.3	1.3	1.1	(30.4)
Office leases	(14.3)	9.1	3.3	0.4	(1.5)
Hardware and software costs	(36.5)	25.6	8.4	0.3	(2.2)
Consultants and contractor fees	(8.4)	1.1	0.5	-	(6.8)
Insurance premiums	(5.9)	2.2	3.5	-	(0.2)
Depreciation and amortisation	(11.7)	7.1	3.2	0.1	(1.3)
Other	(20.3)	1.9	0.9	-	(17.5)
Total	(131.2)	48.3	21.1	1.9	(59.9)

5. Net Finance Costs
Decreased 49.5% to $47.5 million from $94.0 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory finance costs	**(73.9)**	(135.0)
Statutory finance income	**38.1**	53.5
Remove finance income included in EBITDA	**(11.7)**	(12.5)
Net financing costs	**(47.5)**	(94.0)

Net financing costs decreased by $46.5 million to $47.5 million for the year compared with $94.0 million from the prior corresponding period. The decrease in net financing costs was mainly due to lower average net debt. Average net debt for the year was $462.5 million compared with $907.0 million for the prior corresponding period.

The average net interest rate decreased from 6.7% to 6.3% due mostly to a more favourable interest rate environment.

6. Tax Expense
Increased 3.2% to $175.7 million from $170.3 million

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory income tax expense	**(21.5)**	(390.6)
Income tax (benefit) / expense from significant items	**(99.5)**	305.6
Income tax (benefit) from fair value movements	**(54.7)**	(85.3)
Underlying tax expense	**(175.7)**	(170.3)

The underlying effective tax rate was 29.1% compared with 29.6% for the prior corresponding period. The effective tax rate reduced due primarily to a higher contribution from Loy Yang, which is equity accounted on an after tax basis.

7. Operating Cash Flow

7.1 Reconciliation of Operating EBITDA to Statutory Cash Flow:

The following table provides a reconciliation of Operating EBITDA to Statutory Cash Flow.

		Year ended 30 June 2010 $m		Year ended 30 June 2009 $m
Operating EBITDA		**789.6**		793.1
Equity accounted income (net of dividend received)		**(39.1)**		(23.4)
Accounting for onerous gas contract		**(20.9)**		(20.9)
Working capital movements				
(Increase) / decrease in receivables	**(25.4)**		(83.8)	
Net movement in green assets / liabilities	**(17.6)**		(44.2)	
(Increase) / decrease in inventories	**(42.9)**		(8.4)	
Net PNG oil and foreign exchange hedge payments	**-**		(2.8)	
Increase / (decrease) in creditors	**26.5**		(26.8)	
(Increase) / decrease in futures margin calls	**(5.9)**		(66.8)	
Net derivative premiums paid / roll-offs	**6.7**		(12.8)	
Net movement in GST recoverable / payable	**(6.4)**		15.3	
Timing of Hallett 1 construction payments	**-**		(32.0)	
Other	**(14.0)**	**(79.0)**	(11.1)	(273.4)
Operating cash flow before interest, tax & significant items		**650.6**		475.4
Net finance costs paid		**(43.8)**		(109.1)
Income tax paid		**(189.0)**		(61.7)
Cash flow relating to significant items		**(27.8)**		(69.2)
Statutory net cash provided by operating activities		**390.0**		235.4

7.2 Underlying Operating Cash Flow before Tax: Increased 23.8% to $630.3 million from $509.3 million

The statutory net cash flow from operating activities does not take into account a number of material items that affect operating cash flow. AGL has made adjustments to take these items into consideration in calculating the underlying operating cash flow before tax.

	Year ended 30 June 2010 $m	Year ended 30 June 2009 $m
Statutory net cash provided by operating activities	**390.0**	235.4
Cash flow relating to significant items	**27.8**	69.2
Increase / (decrease) in futures margin calls	**5.9**	66.8
Increase / (decrease) in net green position	**17.6**	44.2
Timing of Hallett 1 construction payments	**-**	32.0
Underlying Operating Cash Flow	**441.3**	447.6
Income tax paid	**189.0**	61.7
Underlying Operating Cash Flow before tax	**630.3**	509.3

7.2.1 Significant Items

AGL incurred cash expenses in the year relating to the Phoenix change program, redundancy, termination and restructuring costs as well and merger and acquisition related costs. These costs are explained in detail in Section 1.1.

7.2.2 Futures Margin Calls

AGL posts deposits with the futures exchange at the inception of a futures contract in relation to electricity. Depending on market movements, AGL subsequently pays or receives cash. The net payment for the year ended 30 June 2010 was $5.9 million compared with a payment of $66.8 million for the prior corresponding period.

7.2.3 Net Green Position

AGL purchases various green products to satisfy its green compliance obligations. As at 30 June 2010, AGL had paid $36.7 million for certificates relating to future obligations compared with $19.1 million in the prior corresponding period, a net increase of $17.6 million.

7.2.4 Hallett 1 Construction Payments

During the years ended 30 June 2007 and 2008, AGL received amounts totalling $32.0 million for construction costs in advance of the payments being required to be made to the construction consortium. An amount of $32.0 million was paid to the construction consortium in the year ended 30 June 2009. There was no payment of a similar nature during the year ended 30 June 2010.

Directors in Office

The Directors of AGL Energy Limited who held office during or since the end of the financial year were:

	First Appointed
Mark Roderick Granger Johnson – Chairman	17 February 2006
Michael Anthony Fraser – Managing Director	22 October 2007
Maxwell Gilbert Ould	17 February 2006
Graham John Reaney	5 July 2006 (retired 29 October 2009)
Jeremy Charles Roy Maycock	9 October 2006
Sandra Veronica McPhee	9 October 2006
Bruce John Phillips	23 August 2007
Leslie Victor Hosking	1 November 2008
John Victor Stanhope	9 March 2009

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

Mark Johnson
Chairman

AGL Energy Limited and Subsidiaries
Consolidated Income Statement
For the year ended 30 June 2010

	Note	**2010** **$m**	2009 $m
Continuing operations			
Revenue	3	**6,610.7**	5,965.3
Other income	4	**6.4**	903.9
Expenses	5	**(6,136.9)**	(5,710.0)
Share of profits of associates and jointly controlled entities accounted for using the equity method	13	**70.7**	54.4
Profit before net financing costs, depreciation and amortisation		**550.9**	1,213.6
Depreciation and amortisation	6	**(137.5)**	(123.0)
Profit before net financing costs		**413.4**	1,090.6
Finance income		**38.1**	53.2
Finance costs		**(73.9)**	(132.5)
Net financing costs	7	**(35.8)**	(79.3)
Profit before tax from continuing operations		**377.6**	1,011.3
Income tax expense	9	**(21.5)**	(293.1)
Profit after tax from continuing operations		**356.1**	718.2
Discontinued operations			
Profit after tax from discontinued operations	12	**-**	877.9
Profit for the year attributable to owners of AGL Energy Limited		**356.1**	1,596.1
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		**79.3**	358.0
Diluted (cents per share)		**79.2**	357.6
From continuing operations:			
Basic (cents per share)		**79.3**	161.1
Diluted (cents per share)		**79.2**	160.9
Weighted average number of ordinary shares			
Basic (millions)		**448.8**	445.8
Diluted (millions)		**449.4**	446.3

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

AGL Energy Limited and Subsidiaries
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	2010 $m	2009 $m
Profit for the year attributable to owners of AGL Energy Limited	**356.1**	1,596.1
Other comprehensive income		
Cash flow hedges		
Loss in fair value of cash flow hedges	**(252.9)**	(1,235.3)
Reclassification adjustments transferred to profit or loss	**30.6**	514.1
Reclassification adjustments transferred to the initial carrying amounts of hedged items	**1.0**	(2.9)
Available-for-sale financial assets		
Loss on revaluation of available-for-sale financial assets	**(0.9)**	(1.1)
Reclassification adjustments transferred to profit and loss on impairment of available-for-sale financial assets	**2.0**	-
Exchange differences on translating foreign operations		
Exchange differences arising on translation of foreign operations	**-**	173.6
Loss on hedge of net investment in foreign operations	**-**	(62.8)
Reclassification adjustments transferred to profit or loss on disposal of foreign operation	**-**	(83.3)
Actuarial loss on defined benefit plans	**(7.8)**	(64.5)
Share of other comprehensive income of an associate	**(25.9)**	(7.6)
Reclassification adjustments transferred to profit or loss on disposal of jointly controlled entity	**-**	(0.3)
Income tax relating to components of other comprehensive income	**68.8**	216.2
Other comprehensive income for the year, net of income tax	**(185.1)**	(553.9)
Total comprehensive income for the year attributable to owners of AGL Energy Limited	**171.0**	1,042.2

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Energy in action®

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AGL Energy Limited and Subsidiaries
Consolidated Statement of Financial Position
As at 30 June 2010

	Note	**2010** **$m**	2009 $m
Current assets			
Cash and cash equivalents		**480.4**	623.1
Trade and other receivables		**1,234.5**	1,209.7
Inventories		**94.2**	51.2
Other financial assets		**225.3**	438.3
Other assets		**174.1**	151.4
Total current assets		**2,208.5**	2,473.7
Non-current assets			
Trade and other receivables		**0.6**	0.7
Investments accounted for using the equity method		**200.8**	182.6
Exploration and evaluation assets		**607.5**	569.9
Oil and gas assets		**333.4**	295.2
Property, plant and equipment		**2,056.2**	2,109.1
Intangible assets		**3,149.0**	3,161.1
Other financial assets		**106.5**	186.0
Other assets		**28.4**	56.4
Total non-current assets		**6,482.4**	6,561.0
Total assets		**8,690.9**	9,034.7
Current liabilities			
Trade and other payables		**859.6**	800.8
Provisions		**47.8**	42.9
Current tax liabilities		**42.5**	229.9
Other financial liabilities		**582.0**	444.0
Other liabilities		**0.6**	1.4
Total current liabilities		**1,532.5**	1,519.0
Non-current liabilities			
Trade and other payables		**-**	19.0
Borrowings		**900.8**	1,120.2
Provisions		**183.4**	189.6
Deferred tax liabilities		**165.6**	218.4
Other financial liabilities		**42.1**	59.0
Other liabilities		**66.6**	63.8
Total non-current liabilities		**1,358.5**	1,670.0
Total liabilities		**2,891.0**	3,189.0
Net assets		**5,799.9**	5,845.7
Equity			
Issued capital	14	**4,066.7**	4,030.3
Reserves		**(159.4)**	13.0
Retained earnings		**1,892.6**	1,802.4
Total equity attributable to owners of AGL Energy Limited		**5,799.9**	5,845.7

The statement of financial position should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

	Attributable to owners of AGL Energy Limited							
	Issued capital $m	Investments revaluation reserve $m	Foreign currency translation reserve $m	Employee equity benefits reserve $m	Hedging reserve $m	Other reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2009	**4,030.3**	**(1.1)**	**-**	**2.0**	**12.2**	**(0.1)**	**1,802.4**	**5,845.7**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**356.1**	**356.1**
Other comprehensive income for the year	**-**	**1.1**	**-**	**-**	**(175.8)**	**(0.4)**	**(10.0)**	**(185.1)**
Total comprehensive income for the year	**-**	**1.1**	**-**	**-**	**(175.8)**	**(0.4)**	**346.1**	**171.0**
Transactions with owners in their capacity as owners:								
Shares issued	**36.4**	**-**	**-**	**-**	**-**	**-**	**-**	**36.4**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(255.9)**	**(255.9)**
Share-based payment transactions	**-**	**-**	**-**	**2.7**	**-**	**-**	**-**	**2.7**
Balance at 30 June 2010	**4,066.7**	**-**	**-**	**4.7**	**(163.6)**	**(0.5)**	**1,892.6**	**5,799.9**
Balance at 1 July 2008	3,971.6	-	(24.5)	1.0	524.9	(0.1)	507.0	4,979.9
Profit for the year	-	-	-	-	-	-	1,596.1	1,596.1
Other comprehensive income for the year	-	(1.1)	24.5	-	(512.7)	-	(64.6)	(553.9)
Total comprehensive income for the year	-	(1.1)	24.5	-	(512.7)	-	1,531.5	1,042.2
Transactions with owners in their capacity as owners:								
Shares issued	58.7	-	-	-	-	-	-	58.7
Dividends paid	-	-	-	-	-	-	(236.1)	(236.1)
Share-based payment transactions	-	-	-	1.0	-	-	-	1.0
Balance at 30 June 2009	4,030.3	(1.1)	-	2.0	12.2	(0.1)	1,802.4	5,845.7

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Note	**2010** **$m**	2009 $m
Cash flows from operating activities			
Receipts from customers		**7,610.7**	6,777.5
Payments to suppliers and employees		**(7,014.5)**	(6,408.9)
Dividends received		**26.6**	37.6
Finance income received		**37.5**	41.0
Finance costs paid		**(81.3)**	(150.1)
Income taxes paid		**(189.0)**	(61.7)
Net cash provided by operating activities		**390.0**	235.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(241.6)**	(471.4)
Payments for exploration and evaluation assets		**(43.1)**	(29.9)
Payments for oil and gas assets		**(46.6)**	(89.6)
Payments for investments		**(0.2)**	(2.3)
Payments for other		**-**	(4.3)
Payments for businesses and subsidiaries, net of cash acquired:			
acquisitions in current year	16	**(7.8)**	(623.2)
acquisitions in prior year		**(1.2)**	-
Proceeds from sale of property, plant and equipment		**1.5**	18.8
Proceeds from sale of investments		**-**	1,396.5
Proceeds from sale of business and subsidiaries, net of cash disposed:			
discontinued operations	12	**-**	1,201.8
subsidiaries disposed in current year	17	**239.0**	42.1
subsidiary disposed in prior year		**-**	3.6
Loans advanced to related parties		**(1.5)**	(1.2)
Proceeds from repayment of related party loans		**9.8**	-
Net cash (used in)/provided by investing activities		**(91.7)**	1,440.9
Cash flows from financing activities			
On-market share purchases		**(2.4)**	(1.9)
Proceeds from borrowings		**0.9**	446.0
Repayment of borrowings		**(220.0)**	(1,420.8)
Dividends paid	10	**(219.5)**	(177.4)
Net cash used in financing activities		**(441.0)**	(1,154.1)
Net (decrease)/increase in cash and cash equivalents		**(142.7)**	522.2
Cash and cash equivalents at the beginning of the financial year		**623.1**	73.2
Effect of exchange rate changes on the balance of cash held in foreign currencies		**-**	27.7
Cash and cash equivalents at the end of the financial year		**480.4**	623.1

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Note 1 - Summary of significant accounting policies

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

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 notes of the type normally included within the annual financial report, upon which this report is based. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by AGL Energy Limited during the financial year ended 30 June 2010.

(b) Basis of preparation

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

The Parent Entity is a company of the kind referred to in ASIC Class Order 98/0100, 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 and methods of computations adopted in the preparation of the financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2009, except as described below.

(c) Significant accounting judgements, estimates and assumptions

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts 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

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 reporting period. The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's accounting policies and presentation of, or disclosure in, its financial statements in the following areas:

Presentation of financial statements

The consolidated entity has adopted the revised AASB 101 (2007) *Presentation of Financial Statements* from 1 July 2009. The revised Standard separates owner and non-owner changes in equity. As a result, all non-owner changes in equity are presented in a statement of comprehensive income and all owner changes in equity are presented in a statement of changes in equity.

The revised Standard also changes the title of other financial statements; the balance sheet is now termed the statement of financial position and the cash flow statement is now termed the statement of cash flows.

Comparative information has been re-presented to comply with the revised Standard. Since the change in accounting policy only effects presentation aspects, there is no impact on the financial position or performance of the consolidated entity.

Note 1 - Summary of significant accounting policies (cont'd)

(d) Adoption of new and revised standards (cont'd)

Segment reporting

The consolidated entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* AASB 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Board of Directors.

The consolidated entity determined that the operating segments were the same as the business segments reported in the annual financial report for the year ended 30 June 2009.

Comparative segment information has been restated to comply with the requirements of AASB 8. Since the change in accounting policy only effects presentation and disclosure aspects, there is no impact on the financial position or performance of the consolidated entity. Refer to Note 2 for further details.

Business combinations

The consolidated entity has adopted the revised AASB 3 (2008) *Business Combinations* from 1 July 2009. AASB 3 (2008) applies prospectively to business combinations occurring on or after this date and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the consolidated entity, the application of the Standard has affected the accounting for acquisitions in the current period.

All consideration to purchase a business is now recorded at fair value at the acquisition date, with contingent consideration classified as a liability and subsequently remeasured through the income statement. Under the previous version of the Standard, contingent consideration was only recognised when the payment was probable and could be measured reliably and was accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

Non-controlling interests (previously referred to as 'minority' interests) in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous version of the Standard, the non-controlling interest was always recognised at its share of the acquiree's net assets.

The adoption of revised AASB 3 (2008) has affected the accounting for the acquisitions of Barn Hill Wind Farm Pty Ltd and Boilerland disclosed in Note 16. Acquisition-related costs of $0.5 million in respect of these acquisitions were recognised in the income statement.

Changes in ownership interests in subsidiaries

The consolidated entity has adopted the revised AASB 127 (2008) *Consolidated and Separate Financial Statements* from 1 July 2009. The revised Standard applies prospectively and has resulted in changes in the consolidated entity's accounting policies regarding increases and decreases in ownership interests in its subsidiaries. AASB 127 (2008) requires that a change in the ownership of a subsidiary (without a change of control) is to be accounted for as a transaction with owners in their capacity as owners and recognised in equity. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the income statement.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the consolidated entity derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in a former subsidiary is recognised at its fair value at the date control is lost. A gain or loss is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The adoption of revised AASB 127 (2008) did not have any impact on the financial position or performance of the consolidated entity as at and for the year ended 30 June 2010.

Note 2 - Segment information

Operating segments

The consolidated entity has adopted AASB 8 *Operating Segments* from 1 July 2009. Under AASB 8, the consolidated entity reports segment information on the same basis as the internal management reporting structure, which drives how the consolidated entity is organised and managed.

The consolidated entity has identified its operating segments based on the internal reports that are regularly reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Management has determined the operating segments based on the manner in which products are sold, whether retail or wholesale, and the nature of the services provided. The consolidated entity has four reportable operating segments as follows:

- **Retail Energy** is responsible for selling natural gas, electricity and energy-related products and services to residential, small business and commercial and industrial customers.
- **Merchant Energy** is responsible for developing, operating and maintaining power generation assets and managing the risks associated with the procurement and delivery of gas and electricity for its wholesale portfolio and for the Retail Energy segment. Merchant Energy also provides energy efficiency and carbon management services.
- **Upstream Gas** is responsible for exploration, development and production of coal seam gas and also exploration and development of geothermal renewable energy sources.
- **Energy Investments** includes equity accounted investments in the ActewAGL Retail Partnership and Greater Energy Alliance Corporation Pty Limited.

No operating segments have been aggregated to form the above reportable operating segments.

In the segment financial results, the 'Other' category consists of the various Corporate activities which includes the head office and central support functions. Corporate is not considered a reportable operating segment.

During the 2009 financial year, the consolidated entity disposed of its oil and gas interests in Papua New Guinea and the North Queensland Gas Pipeline. For AASB 8 purposes, these discontinued operations are included within the Upstream Gas reportable segment for the prior year.

Segment financial results

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their 'Operating EBIT contribution' to the consolidated entity. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. Inter-segment revenue is eliminated on consolidation.

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies described in Note 1.

Information regarding the consolidated entity's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of AASB 8.

Note 2 - Segment information (cont'd)

	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Other	Total $m
2010						
Total segment revenue	**5,580.2**	**4,081.8**	**77.5**	**6.2**	**-**	**9,745.7**
Inter-segment revenue	**(35.5)**	**(3,050.1)**	**(49.4)**	**-**	**-**	**(3,135.0)**
External revenue	**5,544.7**	**1,031.7**	**28.1**	**6.2**	**-**	**6,610.7**
Operating EBIT	**318.7**	**386.1**	**5.5**	**81.7**	**(139.9)**	**652.1**
Segment assets	**3,472.8**	**3,210.7**	**1,008.3**	**300.0**	**76.1**	**8,067.9**
Segment liabilities	**322.9**	**682.5**	**43.1**	**0.6**	**108.9**	**1,158.0**
Other segment information						
Finance income	**1.9**	**0.9**	**0.1**	**10.1**	**25.1**	**38.1**
Finance costs	**-**	**-**	**-**	**-**	**(73.9)**	**(73.9)**
Share of profits of associates and jointly controlled entities	**-**	**-**	**0.3**	**70.4**	**-**	**70.7**
Investments in associates and jointly controlled entities	**0.9**	**-**	**3.9**	**196.0**	**-**	**200.8**
Additions to non-current assets	**31.8**	**215.1**	**123.1**	**-**	**29.5**	**399.5**
Depreciation and amortisation	**(41.5)**	**(63.7)**	**(21.1)**	**-**	**(11.2)**	**(137.5)**
Impairment losses	**-**	**(0.6)**	**(15.9)**	**-**	**(7.8)**	**(24.3)**
Other non-cash expenses	**(59.6)**	**(9.1)**	**(2.0)**	**-**	**(10.9)**	**(81.6)**
(Loss)/gain in fair value of financial instruments	**-**	**(182.4)**	**-**	**5.0**	**-**	**(177.4)**
Significant expense items	**(12.4)**	**-**	**(14.0)**	**-**	**(23.2)**	**(49.6)**
2009						
Total segment revenue	5,020.3	3,740.6	151.1	16.1	-	8,928.1
Inter-segment revenue	(32.3)	(2,808.5)	(36.2)	-	-	(2,877.0)
External revenue	4,988.0	932.1	114.9	16.1	-	6,051.1
Operating EBIT	266.8	402.8	56.9	74.8	(131.2)	670.1
Segment assets	3,464.0	3,139.2	1,009.3	292.9	74.2	7,979.6
Segment liabilities	345.2	628.6	52.2	0.6	90.9	1,117.5
Other segment information						
Finance income	1.6	1.2	0.4	11.2	39.1	53.5
Finance costs	-	-	(2.5)	-	(132.5)	(135.0)
Share of profits of associates and jointly controlled entities	-	-	2.7	51.7	-	54.4
Investments in associates and jointly controlled entities	0.9	-	3.6	178.1	-	182.6
Additions to non-current assets	54.5	341.8	814.2	-	21.4	1,231.9
Depreciation and amortisation	(36.2)	(57.8)	(17.3)	-	(11.7)	(123.0)
Impairment losses	(18.4)	(15.7)	(1.3)	-	(1.8)	(37.2)
Other non-cash expenses	(66.7)	(8.4)	(1.4)	-	(11.0)	(87.5)
(Loss)/gain in fair value of financial instruments	-	(306.8)	(33.6)	4.1	-	(336.3)
Significant income/(expense) items	(69.4)	(15.6)	1,705.3	149.9	(23.3)	1,746.9

Note 2 - Segment information (cont'd)

Segment revenue reconciliation to the income statement

Reconciliation of segment revenue to total revenue from continuing operations is as follows:

	2010 $m	2009 $m
Total segment revenue for reportable segments	**9,745.7**	8,928.1
Elimination of inter-segment revenue	**(3,135.0)**	(2,877.0)
	6,610.7	6,051.1
Elimination of revenue from discontinued operations	**-**	(85.8)
Total revenue from continuing operations	**6,610.7**	5,965.3

Revenue from major products and services

The following is an analysis of the consolidated entity's revenue from continuing operations from its major products and services.

	2010 $m	2009 $m
Electricity	**4,167.4**	3,642.0
Gas	**1,775.5**	1,731.6
Generation	**361.5**	321.5
Oil	**0.6**	84.9
Wind farm development fees	**57.0**	54.6
Green commodities scheme certificates	**148.7**	121.1
Management and marketing development fees	**15.4**	15.0
Other goods and services revenue	**83.8**	69.0
Other revenue	**0.8**	11.4
	6,610.7	6,051.1
Elimination of revenue from discontinued operations	**-**	(85.8)
Total revenue from continuing operations	**6,610.7**	5,965.3

Segment Operating EBIT reconciliation to the income statement

Reconciliation of segment Operating EBIT to profit before tax from continuing operations is as follows:

	2010 $m	2009 $m
Operating EBIT for reportable segments	**792.0**	801.3
Other	**(139.9)**	(131.2)
	652.1	670.1
Amounts excluded from underlying results:		
- loss in fair value of financial instruments from continuing operations	**(177.4)**	(302.7)
- significant (expense)/income items from continuing operations	**(49.6)**	785.9
Elimination of Operating EBIT from discontinued operations	**-**	(50.2)
Finance income included in Operating EBIT	**(11.7)**	(12.5)
Finance income	**38.1**	53.2
Finance costs	**(73.9)**	(132.5)
Profit before tax from continuing operations	**377.6**	1,011.3

Note 2 - Segment information (cont'd)

Segment assets reconciliation to the statement of financial position

Reconciliation of segment assets to total assets is as follows:

	2010 $m	2009 $m
Segment assets for reportable segments	**7,991.8**	7,905.4
Other	**76.1**	74.2
	8,067.9	7,979.6
Cash and cash equivalents	**480.4**	623.1
Derivative financial instruments	**142.6**	432.0
Total assets	**8,690.9**	9,034.7

Segment liabilities reconciliation to the statement of financial position

Reconciliation of segment liabilities to total liabilities is as follows:

	2010 $m	2009 $m
Segment liabilities for reportable segments	**1,049.1**	1,026.6
Other	**108.9**	90.9
	1,158.0	1,117.5
Borrowings	**900.8**	1,120.2
Current tax liabilities	**42.5**	229.9
Deferred tax liabilities	**165.6**	218.4
Derivative financial instruments	**624.1**	503.0
Total liabilities	**2,891.0**	3,189.0

Geographical information

The consolidated entity now operates in one geographical area - Australia. During the 2009 financial year, the consolidated entity disposed of its oil and gas interests in Papua New Guinea.

The total of non-current assets other than financial instruments, deferred tax assets and defined benefit assets located in Australia is $6,375.9 million (2009: $6,375.0 million), and the total of these non-current assets located in other countries is $nil (2009: $nil).

Information about major customers

No single customer amounts to 10% or more of the consolidated entity's total external revenue.

	2010	2009
	$m	$m
Note 3 - Revenue		
Continuing operations		
Revenue from sale of goods	**6,466.0**	5,818.9
Revenue from rendering of services	**143.9**	135.0
Other revenue		
Royalties	**0.8**	0.8
Dividends	**-**	10.6
	6,610.7	5,965.3
Discontinued operations		
Revenue from sale of goods	**-**	71.5
Gain in fair value of oil derivatives - economic hedges	**-**	13.6
	-	85.1
Revenue from rendering of services	**-**	0.7
	-	85.8
Note 4 - Other income		
Continuing operations		
Gain on disposal of investments	**-**	903.5
Gain on disposal of subsidiaries	**5.8**	0.4
Net foreign exchange gains	**0.6**	-
	6.4	903.9
Discontinued operations		
Gain on disposal of businesses and subsidiaries	**-**	800.2
Gain in fair value of oil derivatives - economic hedges	**-**	160.8
Other	**-**	4.3
	-	965.3

	2010 $m	2009 $m
Note 5 - Expenses		
Continuing operations		
Cost of sales	**5,327.9**	4,756.6
Loss in fair value of electricity derivatives - economic hedges	**177.4**	302.7
	5,505.3	5,059.3
Administration expenses	**145.8**	141.9
Employee benefits expense	**318.1**	283.4
Other expenses		
Impairment of trade receivables (net of bad debts recovered)	**44.9**	54.8
Impairment of property, plant and equipment	**8.4**	37.2
Impairment of exploration and evaluation assets	**13.9**	-
Impairment of available-for-sale equity investments	**2.0**	-
Phoenix change program costs	**11.7**	49.5
Redundancy, termination and restructure costs	**11.1**	3.6
Demerger costs	**-**	16.1
Merger and acquisition related costs	**5.1**	-
Net loss on disposal of property, plant and equipment	**2.1**	7.8
Operating lease rental expenses	**20.2**	17.3
Other	**48.3**	39.1
	6,136.9	5,710.0
Discontinued operations		
Cost of sales	**-**	18.0
Employee benefits expense	**-**	0.1
Other expenses		
Net foreign exchange losses	**-**	53.0
Other	**-**	2.4
	-	73.5

Note 6 - Depreciation and amortisation

	2010 $m	2009 $m
Property, plant and equipment	**92.6**	80.3
Oil and gas assets	**17.7**	14.7
Intangible assets	**21.4**	22.2
Other	**5.8**	5.8
	137.5	123.0
Attributable to:		
Continuing operations	**137.5**	123.0
Discontinued operations	**-**	-
	137.5	123.0

Note 7 - Net financing costs

	2010 $m	2009 $m
Finance income		
Interest income		
Associates	**10.1**	11.2
Other entities	**28.0**	42.3
	38.1	53.5
Attributable to:		
Continuing operations	**38.1**	53.2
Discontinued operations	**-**	0.3
	38.1	53.5
Finance costs		
Interest expense		
Other entities	**67.8**	126.8
Less finance costs capitalised	**(18.3)**	(21.8)
Unwinding of discounts on provisions	**11.9**	14.0
Other finance costs	**12.5**	16.0
	73.9	135.0
Attributable to:		
Continuing operations	**73.9**	132.5
Discontinued operations	**-**	2.5
	73.9	135.0
Net financing costs		
Attributable to:		
Continuing operations	**35.8**	79.3
Discontinued operations	**-**	2.2
	35.8	81.5

Note 8 - Significant (expense)/income items

	2010 **$m**	2009 $m
Profit before tax from continuing and discontinued operations includes the following significant (expense)/income items:		
Gain on disposal of investments	**-**	903.5
Gain on disposal of discontinued operations	**-**	800.2
Gain on disposal of subsidiary	**-**	0.4
Gain in fair value of oil derivatives	**-**	160.8
Impairment of exploration and evaluation assets	**(13.9)**	-
Impairment of property, plant and equipment	**(7.8)**	(37.2)
Phoenix change program costs	**(11.7)**	(49.5)
Redundancy, termination and restructure costs	**(11.1)**	(3.6)
Demerger costs	**-**	(16.1)
Merger and acquisition related costs	**(5.1)**	-
Loss on disposal of property, plant and equipment	**-**	(7.8)
Provision for onerous contract	**-**	(3.8)
	(49.6)	1,746.9
Attributable to:		
Continuing operations	**(49.6)**	785.9
Discontinued operations	**-**	961.0
	(49.6)	1,746.9
Income tax income/(expense) applicable:		
Gain on disposal of investments	**-**	(277.3)
Gain on disposal of discontinued operations	**-**	(59.4)
Gain on disposal of subsidiary	**-**	(0.1)
Gain in fair value of oil derivatives	**-**	(85.8)
Impairment of exploration and evaluation assets	**4.2**	-
Impairment of property, plant and equipment	**2.3**	11.2
Phoenix change program costs	**3.5**	14.8
Redundancy, termination and restructure costs	**3.3**	1.1
Demerger costs	**-**	4.3
Merger and acquisition related costs	**0.7**	-
Loss on disposal of property, plant and equipment	**-**	2.3
Provision for onerous contract	**-**	1.1
	14.0	(387.8)
Effect of retrospective changes to Tax Consolidation Legislation	**85.5**	-
Reversal of previous write-down of deferred tax assets relating to PNG operations	**-**	67.8
Overprovision for income tax relating to demerger of AGL Energy Limited tax-consolidated group	**-**	14.4
	99.5	(305.6)
Attributable to:		
Continuing operations	**99.5**	(228.2)
Discontinued operations	**-**	(77.4)
	99.5	(305.6)
Significant (expense)/income items before income tax	**(49.6)**	1,746.9
Income tax income/(expense)	**99.5**	(305.6)
	49.9	1,441.3

Note 9 - Income tax

	2010	2009
	$m	$m
Income tax recognised in the income statement		
Income tax expense attributable to:		
Continuing operations	**21.5**	293.1
Discontinued operations	**-**	97.5
Total income tax expense	**21.5**	390.6

Numerical reconciliation between tax expense and pre-tax accounting profit
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2010	2009
Profit before tax from continuing operations	**377.6**	1,011.3
Profit before tax from discontinued operations	**-**	975.4
Profit from operations	**377.6**	1,986.7
Income tax expense calculated at 30%	**113.3**	596.0
Non-deductible expenses	**9.6**	29.9
Gain on disposal of investments	**-**	6.2
Gain on disposal of businesses and subsidiaries	**3.7**	(212.0)
Capital loss on disposal of subsidiary	**-**	18.5
Non-assessable income	**-**	(1.8)
Share of profits of associates and jointly controlled entities	**(12.2)**	(11.0)
Effect of different tax rates in foreign jurisdictions	**-**	47.4
Previously unrecognised tax losses used to reduce deferred tax expense	**(3.3)**	-
Effect of retrospective changes to Tax Consolidation Legislation	**(85.5)**	-
Reversal of previous write-down of deferred tax assets	**-**	(67.8)
Other	**(1.5)**	(0.2)
Adjustments in relation to current tax of prior years	**(2.6)**	(14.6)
	21.5	390.6

Tax consolidation
As a result of retrospective changes to the tax consolidation legislation enacted in June 2010, AGL has recognised a tax benefit of $85.5 million relating to tax deductions which are available for the tax value allocated to certain derivative assets in place at the time of the merger/demerger transaction with Alinta Limited in October 2006. These changes will result in a tax refund of $89.0 million and a deferred tax liability of $3.5 million.

	2010 **$m**	2009 $m
Note 10 - Dividends		
Recognised amounts		
Final dividend		
Final dividend for 2009 of 28.0 cents per share, fully franked at 30%, paid 30 September 2009 (2008: Final dividend of 27.0 cents per share, fully franked at 30%, paid 26 September 2008)	**125.5**	119.9
Interim dividend		
Interim dividend for 2010 of 29.0 cents per share, fully franked at 30%, paid 7 April 2010 (2009: Interim dividend for 2009 of 26.0 cents per share, fully franked at 30%, paid 3 April 2009)	**130.4**	116.2
Total dividends	**255.9**	236.1
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 14)	**(36.4)**	(58.7)
Dividends paid as per the cash flow statement	**219.5**	177.4
Unrecognised amounts		
Since the end of the financial year, the Directors have declared an unfranked final dividend for 2010 of 30.0 cents per share (2009: 28.0 cents fully franked), payable 30 September 2010	**135.0**	125.3

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 2011 financial year.

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

	2010 **$**	2009 $
Note 11 - Net tangible asset backing		
Net tangible asset backing per ordinary share	**5.89**	6.00

Note 12 - Discontinued operations

2009

Disposal of Papua New Guinea oil and gas interests

On 22 May 2008, the consolidated entity announced its decision to sell its Papua New Guinea (PNG) oil, gas and LNG project assets. On 30 October 2008, the consolidated entity announced that it had executed sale and purchase agreements (SPAs) for all of its oil and gas exploration and production interests in PNG, which included a 3.6% interest in the PNG LNG project. The agreed sale price under the SPA was US$800 million. The disposal was completed on 18 December 2008, on which date control of the business passed to the acquirers.

Disposal of North Queensland gas pipeline business

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

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

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

Financial performance of operations disposed

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

	2010	PNG oil and gas interests 2009	North Queensland gas pipeline 2009	Chile 2009	Total 2009
	$m	$m	$m	$m	$m
Revenue	**-**	84.7	1.1	-	85.8
Other income	**-**	165.1	-	-	165.1
Expenses	**-**	(73.2)	(0.3)	-	(73.5)
Net financing costs	**-**	(2.2)	-	-	(2.2)
Profit before tax	**-**	174.4	0.8	-	175.2
Income tax expense	**-**	(38.1)	-	-	(38.1)
	-	136.3	0.8	-	137.1
Profit on disposal of operations (a)	**-**	777.1	23.1	-	800.2
Income tax expense	**-**	(31.3)	(9.6)	(18.5)	(59.4)
	-	745.8	13.5	(18.5)	740.8
Profit after tax from discontinued operations	-	882.1	14.3	(18.5)	877.9

(a) Includes gains of $nil (2009: $83.3 million) recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

Cash flows from discontinued operations

The net cash flows from discontinued operations have been included in the statement of cash flows are as follows:

	2010	2009
	$m	$m
Net cash flows from operating activities	**-**	48.5
Net cash flows from investing activities	**-**	1,178.3
Net cash flows from discontinued operations	**-**	1,226.8

Note 12 - Discontinued operations (cont'd)

Operations disposed

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

	2010 $m	PNG oil and gas interests 2009 $m	North Queensland gas pipeline 2009 $m	Total 2009 $m
Assets				
Cash and cash equivalents	-	7.5	-	7.5
Trade and other receivables	-	7.9	0.6	8.5
Inventories	-	25.3	0.2	25.5
Exploration and evaluation assets	-	61.7	-	61.7
Oil and gas assets	-	445.2	-	445.2
Property, plant and equipment	-	-	90.4	90.4
Other assets	-	0.6	-	0.6
	-	548.2	91.2	639.4
Liabilities				
Trade and other payables	-	(17.9)	(0.2)	(18.1)
Provisions	-	(38.3)	(0.1)	(38.4)
Deferred tax liabilities	-	-	(13.1)	(13.1)
	-	(56.2)	(13.4)	(69.6)
Net assets disposed	-	492.0	77.8	569.8
Consideration received				
Consideration received in cash	-	1,188.9	102.7	1,291.6
Costs directly attributable to the disposal	-	(3.1)	(1.8)	(4.9)
Total disposal consideration	-	1,185.8	100.9	1,286.7
Net assets disposed	-	(492.0)	(77.8)	(569.8)
	-	693.8	23.1	716.9
Transferred from foreign currency translation reserve to profit or loss on disposal of foreign operation	-	83.3	-	83.3
Profit on disposal	-	777.1	23.1	800.2
Net cash inflow on disposal				
Consideration received in cash	-	1,188.9	102.7	1,291.6
Costs directly attributable to the disposal paid	-	(2.9)	(1.8)	(4.7)
Net payments for settlement of foreign currency and oil hedges	-	(77.6)	-	(77.6)
Cash and cash equivalent balances disposed of	-	(7.5)	-	(7.5)
Net cash inflow on disposal	-	1,100.9	100.9	1,201.8

Note 13 - Interests in associates, jointly controlled entities and jointly controlled operations and assets

	Ownership interest		Contribution to net profit	
	2010	2009	**2010**	2009
Name of entity	**%**	%	**$m**	$m
Associates				
Greater Energy Alliance Corporation Pty Limited	**32.5**	32.5	**40.0**	23.7
Queensland Gas Company Limited (a)	**-**	-	**-**	2.6
Gascor Pty Ltd	**33.3**	33.3	**-**	-
CSM Energy Limited	**35.0**	35.0	**(0.2)**	(0.3)
Jointly controlled entities				
ActewAGL Retail Partnership	**50.0**	50.0	**30.4**	28.0
Energy Infrastructure Management Pty Ltd	**50.0**	50.0	**0.6**	0.4
Central Queensland Pipeline Pty Ltd	**50.0**	50.0	**(0.1)**	-
MWF JV Pty Limited	**50.0**	50.0	**-**	-
			70.7	54.4

(a) The consolidated entity disposed of its 21.5% ownership interest in Queensland Gas Company Limited on 5 November 2008.

Jointly controlled operations and assets		
Moranbah Gas Project	**50.0**	50.0
Moranbah Exploration	**50.0**	50.0
Galilee Basin Exploration	**50.0**	50.0
Spring Gully Project	**0.75**	0.75
Cooper Basin	**35.0 - 37.5**	35.0 - 37.5
North Queensland Energy	**50.0**	50.0

Note 14 - Issued capital

	2010 Number of shares	**2010** $m	2009 Number of shares	2009 $m
Movement in fully paid ordinary shares				
Balance at beginning of financial year	**447,536,000**	**4,030.3**	443,354,097	3,971.6
Shares issued under AGL Dividend Reinvestment Plan (a)(b)	**2,540,509**	**36.4**	4,181,903	58.7
Balance at end of financial period	**450,076,509**	**4,066.7**	447,536,000	4,030.3

(a) On 30 September 2009, 1,332,339 ordinary shares were issued at $13.71 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

(b) On 7 April 2010, 1,208,170 ordinary shares were issued at $15.03 per share to to participating Shareholders under the AGL Dividend Reinvestment Plan.

Note 15 - Contingent liabilities

	2010 $m	2009 $m
Contingent liabilities		
Nil	**-**	-

Other contingent liabilities

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

(a) The consolidated entity has various contingent liabilities arising in connection with the sale of certain subsidiaries and a jointly controlled entity. Under the various sale agreements the consolidated entity has given warranties and indemnities in relation to tax related matters, environmental and other specific liabilities.

(b) Pursuant to ASIC Class Order 98/1418 (as amended), the Parent Entity and certain wholly-owned Australian subsidiaries have entered in to a Deed of Cross Guarantee. The effect of the Deed is that the Parent Entity guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The subsidiaries have also given a similar guarantee in the event that the Parent Entity is wound up. No liabilities subject to the Deed of Cross Guarantee at 30 June 2010 are expected to arise.

(c) As detailed in Note 44 of AGL's annual financial report for the year ended 30 June 2009, the consolidated entity recognised income of approximately $27.0 million derived from gas sales in the Victorian gas market and furthermore it was party to a dispute with TRUenergy regarding this income. The matter has concluded with the result being that AGL will retain this income.

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

Note 16 - Acquisition of subsidiaries and businesses

2010

Acquisition of wind farm development projects

On 17 June 2009, the consolidated entity entered into a sale and purchase agreement with Transfield Services Limited to acquire 100% of the issued capital of Barn Hill Wind Farm Pty Ltd and the business assets of the Crows Nest wind farm development. The acquisition was completed on 14 December 2009, on which date the consolidated entity obtained control of Barn Hill Wind Farm Pty Ltd. The consideration paid comprised cash of $9.0 million.

The assets acquired comprised the rights to the Barn Hill wind farm development project in South Australia and the Crows Nest wind farm development project in Queensland.

Acquisition-related costs amounting to $0.4 million have been excluded from the consideration paid and have been recognised as an expense in the period, within the 'other expenses' line item in the income statement.

From the date of acquisition, the entity has contributed $nil to revenue and $nil to profit before tax from continuing operations.

Acquisition of Boilerland

On 6 April 2010, the consolidated entity acquired the Queensland based boiler and thermal service business, Boilerland, from the privately owned company, Boilerland Pty Ltd. The consideration paid comprised cash of $0.8 million.

Boilerland specialises in programmed maintenance and the manufacture of reconditioned and new steam boilers as well as commercial and industrial hot and warm water systems.

Acquisition-related costs amounting to $0.1 million have been excluded from the consideration paid and have been recognised as an expense in the period, within the 'other expenses' line item in the income statement.

From the date of acquisition, the business has contributed $0.9 million to revenue and $0.1 million to operating profit tax from continuing operations.

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

Net assets acquired	Wind farm development projects 2010 $m	Boilerland 2010 $m	Total 2010 $m
Assets			
Inventories	-	0.2	**0.2**
Property, plant and equipment	0.1	0.3	**0.4**
Intangible assets	8.9	-	**8.9**
Deferred tax assets	-	0.1	**0.1**
Liabilities			
Provisions	-	(0.2)	**(0.2)**
Fair value of identifiable net assets	9.0	0.4	**9.4**
Goodwill arising on acquisition	-	0.4	**0.4**
	9.0	0.8	**9.8**
Consideration transferred			
Consideration paid in cash	7.0	0.8	**7.8**
Consideration paid in cash in prior year	2.0	-	**2.0**
	9.0	0.8	**9.8**

The goodwill arising on the acquisition of Boilerland is attributable to the benefit of expected synergies from integrating the business into the Merchant Energy segment, future market development opportunities and the technical skills of the Boilerland workforce. The goodwill is not expected to be deductible for tax purposes.

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

Note 16 - Acquisition of subsidiaries and businesses (cont'd)

2009

Acquisition of wind farm development projects

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

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

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

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

Acquisition of Gloucester Basin coal seam gas interests

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

The acquired entities hold 100% of the interests in petroleum exploration licence PEL 285, the Gloucester Basin gas project in New South Wales.

Acquisition of Sydney Gas Limited

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

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

Acquisition of other coal seam gas interests

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

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

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

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

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

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

Acquisition of Geogen geothermal assets

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

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

Note 16 - Acquisition of subsidiaries and businesses (cont'd)

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

	Wind farm development projects 2009	Gloucester Basin CSG interests 2009	Sydney Gas Limited 2009	Other CSG interests 2009	Geogen geothermal assets 2009	Total 2009
Net assets acquired	$m	$m	$m	$m	$m	$m
Assets						
Cash and cash equivalents	-	-	9.1	-	-	9.1
Trade and other receivables	0.4	-	6.2	-	-	6.6
Inventories	-	-	1.8	1.3	-	3.1
Other assets	-	-	2.3	-	-	2.3
Exploration and evaluation assets	-	377.8	133.4	14.2	5.1	530.5
Oil and gas assets	-	-	37.8	16.4	-	54.2
Property, plant and equipment	-	-	3.6	-	-	3.6
Intangible assets	28.4	-	-	-	-	28.4
Deferred tax assets	-	-	4.2	-	-	4.2
Liabilities						
Trade and other payables	-	-	(6.7)	-	-	(6.7)
Provisions	-	-	(1.0)	-	-	(1.0)
Other liabilities	-	-	(0.8)	-	-	(0.8)
Fair value of identifiable net assets	28.8	377.8	189.9	31.9	5.1	633.5
Goodwill arising on acquisition	-	-	-	-	-	-
	28.8	377.8	189.9	31.9	5.1	633.5
Consideration transferred						
Consideration paid in cash	28.8	377.8	189.7	31.9	4.1	632.3
Contingent consideration payable	-	-	-	-	1.0	1.0
Directly attributable costs payable	-	-	0.2	-	-	0.2
	28.8	377.8	189.9	31.9	5.1	633.5

	2010	2009
	$m	$m
Net cash outflow on acquisitions		
Consideration paid in cash	**7.8**	632.3
Cash and cash equivalent balances acquired	**-**	(9.1)
	7.8	623.2

Note 17 - Disposal of subsidiaries

2010

Disposal of Hallett 4 Pty Ltd and Brown Hill North Pty Ltd
On 30 September 2009, the consolidated entity disposed of 100% of the issued capital in Hallett 4 Pty Ltd and on 1 October 2009, the consolidated entity disposed of 100% of the issued capital in Brown Hill North Pty Ltd. The proceeds on disposal of $157.1 million were received in cash.

Disposal of AGL Pipelines Investments Pty Limited
On 22 April 2010, the consolidated entity disposed of its 100% interest in AGL Pipelines Investments Pty Limited, the subsidiary that owned the Berwyndale to Wallumbilla Pipeline in Queensland. The proceeds on disposal of $81.9 million were received in cash.

2009

Disposal of North Queensland Pipeline No 1 Pty Ltd (discontinued operation)
On 1 August 2008, the consolidated entity disposed of its 100% interest in North Queensland Pipeline No 1 Pty Ltd. Refer Note 12 for further details.

Disposal of AGL Power Generation (Hallett Hill) Pty Limited
On 29 August 2008, the consolidated entity disposed of its 100% interest in AGL Power Generation (Hallett Hill) Pty Limited, the subsidiary that was constructing the 71 MW Hallett 2 wind farm in South Australia. The proceeds on disposal of $42.1 million were received in cash.

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

	2010 $m	2009 $m
Assets		
Inventories	**0.1**	-
Property, plant and equipment	**236.7**	42.1
Liabilities		
Deferred tax liabilities	**(3.6)**	(0.4)
Net assets disposed	**233.2**	41.7
Consideration received		
Consideration received in cash	**239.7**	42.1
Costs directly attributable to the disposal paid	**(0.7)**	-
	239.0	42.1
Gain on disposal of subsidiaries		
Consideration received	**239.0**	42.1
Net assets disposed	**(233.2)**	(41.7)
	5.8	0.4
Net cash inflow on disposal of subsidiaries		
Consideration received in cash	**239.7**	42.1
Costs directly attributable to the disposal paid	**(0.7)**	-
	239.0	42.1

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 period, 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:

Mosaic Oil NL proposed acquisition

On 14 July 2010, AGL Energy Limited (AGL) and Mosaic Oil NL (Mosaic) announced that they had entered into a Scheme Implementation Deed, under which AGL proposes to acquire all of the issued shares in Mosaic by way of a Scheme of Arrangement (Scheme).

Mosaic shareholders will either receive cash of $0.15 per Mosaic share or will receive 1.01 AGL shares per 100 Mosaic shares for all their Mosaic shares.

The implementation date of the Scheme is expected to be 20 October 2010.

US$300 million debt raising

On 23 July 2010, AGL announced that it had successfully priced US$300 million of unsecured notes in the United States Private Placement market.

The US$300 million unsecured note issue comprises two tranches of 12 year and 15 year maturities for US$165 million and US$135 million, respectively.

The US$300 million will be converted to A$338 million at margins of 259 and 254 basis points above floating A$ bank bill swap rates for the 12 year and 15 year tranches, respectively.

The proceeds are expected to be received in September 2010 and will be used to cancel existing bank debt facilities.

Macarthur wind farm

On 12 August 2010, AGL announced that it had entered into binding contracts to construct, with its joint venture partner Meridian Energy, a 420 MW wind farm at Macarthur in Victoria's south west at a total capital cost of $1 billion.

On completion in early 2013, the Macarthur wind farm will be the largest wind farm in the southern hemisphere. The wind farm will comprise 140 Vestas V112-3.0 MW wind turbine generators and be constructed by a Vestas/Leighton Contractors consortium.

Final dividend

On 26 August 2010, the Directors of AGL resolved to pay an unfranked final dividend of 30.0 cents per share, amounting to $135.0 million. The record date for the final dividend is 10 September 2010 with payment to be made on 30 September 2010. Shares will commence trading ex-dividend on 6 September 2010.

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

Note 19 - Information on audits or review

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and 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 subiect to review.		The accounts have not yet been audited or reviewed.

5. The entity has a formally constituted Audit and Risk Management committee.
6. The audit report, which is unqualified, will be made available with the AGL 2010 Annual Report.

Mark Johnson
Chairman

26 August 2010