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AGL

ASX Release

AGL Financial Report

28 August 2013

Attached is AGL's Financial Report for the year ended 30 June 2013.

Paul McWilliams
Company Secretary

About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

Directors' Report 2013.

The Directors present their Report together with the annual Financial Report of AGL Energy Limited (AGL) and its consolidated entities, being AGL and its controlled entities, for the year ended 30 June 2013 and the Independent Audit Report thereon.

AGL is the head entity of the AGL Energy Limited Group. Its shares are listed on ASX Limited under the code of "AGK".

Directors

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

Non-executive Directors

> Jeremy Maycock
> Les Hosking
> Graeme Hunt
> (appointed 1 September 2012)
> Belinda Hutchinson
> Sandra McPhee
> Max Ould (retired 23 October 2012)
> Bruce Phillips
> John Stanhope

Executive Director

> Michael Fraser

Jeremy Maycock
BEng (Mech) (Hons), FAICD, FIPENZ
Age 61

Non-executive Director since October 2006 and Chairman since October 2010.
Independent: Yes.
Committees: Chair of the Nominations Committee.
Directorships: Chairman of Port of Brisbane Pty Ltd (commenced in November 2010), Director of Nuplex Limited (commenced in September 2011) and a Director of the Smith Family (commenced January 2013).
Experience: Previously Managing Director and Chief Executive Officer of CSR Limited (2007 - 2010), Managing Director and Chief Executive Officer of Hastie Group Limited (2003 – 2007), Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 40 years, with his early career being with Shell Oil in the UK and in New Zealand.

Michael Fraser
BCom, CPA, FTIA – Managing Director
Age 56

Managing Director and Chief Executive Officer since October 2007.
Independent: No.
Committees: Nil.
Directorships: Chairman of Clean Energy Council Limited (commenced in September 2011)
Experience: Previously Director of Queensland Gas Company Limited, Chairman of Elgas Limited and of ActewAGL, Director of the Australian Gas Association and the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCo) Participant's Advisory Committee and a Director of Uniting Care Ageing Board. He has more than 25 years of energy industry experience, including having established AGL as one of the country's largest energy retailers and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Les Hosking
Age 68

Non-executive Director since November 2008.
Independent: Yes.
Committees: Chairman of the People and Performance Committee, member of the Audit and Risk Management Committee and the Nominations Committee.
Directorships: Chairman of Adelaide Brighton Limited (commenced as a Director in 2003), Director of Innovation Australia (commenced in 2003), Director of Australian Energy Market Operator (AEMO) (commenced in 2009) and Chair of The Carbon Market Institute (commenced in 2010).
Experience: Previously Director of Australian Energy Market Operator (Transition) Limited (AEMO), Managing Director and Chief Executive Officer of NEMMCo (2003 - 2008) and a non-executive Director of NEMMCo. He has over 30 years of experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry, and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (1985 - 2000).

Graeme Hunt

MBA, BMET

Age 56

Non-executive Director since September 2012.
Independent: Yes.
Committees: Member of the People & Performance Committee, the Safety, Sustainability & Corporate Responsibility Committee and the Nominations Committee.
Directorships: Managing Director of Transfield Services Limited.
Experience: Previously he was Non-Executive Director of Transfield Services Limited and Managing Director of G.P. Hunt Associates Pty Ltd. Prior to that, he was Chief Executive Officer of Lihir Gold Limited until it was acquired by Newcrest Mining Limited in 2010. He has held a number of senior executive positions at BHP Biliton Group (BHP), including President of BHP's Uranium and Olympic Dam Development (2007-2009), President of BHP's Global Aluminium business (2006-2007), and President of BHP's Global Iron Ore business (1999-2005). Mr Hunt brings to AGL extensive experience in establishing and operating large capital projects.

Belinda Hutchinson

AM, BEc, FCA, FAICD

Age 60

Non-executive Director since December 2010.
Independent: Yes.
Committees: Member of the Audit and Risk Management Committee, People and Performance Committee, and the Nominations Committee.
Directorships: Chairman of QBE Insurance Limited (commenced in 2010), Director of St Vincent's Health Australia Limited (commenced in 2010), Director of the State Library of NSW Foundation (commenced in 1997), Chancellor of the University of Sydney (commenced 2013) and a member of the Salvation Army Australian Eastern Territorial Advisory Board (commenced in 2006).
Experience: Executive career included roles as Executive Director at Macquarie Group Limited (2002 to 2006), and Vice President of Citibank Limited (1981 to 2002). Previous appointments include Director of St Vincent's & Mater Health Sydney, Director of Coles Group Limited, Telstra Corporation Limited, TAB Limited, Energy Australia, Crane Group, Snowy Hydro Trading Limited, member of the State Library of New South Wales Council.

Sandra McPhee

Dip Ed, FAICD

Age 67

Non-executive Director since October 2006.
Independent: Yes.
Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee, a member of the Audit and Risk Management Committee, and the Nominations Committee.
Directorships: Director of Westfield Retail Trust (commenced in 2010), Director of Fairfax Media (commenced in 2010), Director of Tourism Australia (commenced in 2009), Kathmandu Holdings Limited (commenced in 2009) and Vice President of The Art Gallery of New South Wales.
Experience: Extensive experience as a non-executive Director and Senior Executive in a number of consumer oriented industries including retail, aviation and tourism, most recently ten years with Qantas Airways Limited (retired in 2004). Previous non-executive appointments include Director of Australia Post, Coles Group Limited, Perpetual Limited, Primelife Corporation Limited, St Vincent's & Mater Health Sydney and CARE Australia.

Bruce Phillips

BSc (Hons) PESA, ASEG

Age 58

Non-executive Director since August 2007.
Independent: Yes.
Committees: Member of the Audit and Risk Management Committee, the Safety, Sustainability and Corporate Responsibility Committee, and the Nominations Committee.
Directorships: Chairman of Platinum Capital Limited (commenced as a Director in 2009), and Chairman of AWE Limited (commenced as a Director in 2009).
Experience: more than 30 years of technical, financial and managerial experience in the energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited (now AWE Limited). He also held prior positions of Director of Sunshine Gas Limited, Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities, General Manager of Petroleum Securities Australia Limited and was an expert technical advisor to News Corporation Limited.

John Stanhope

BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI

Age 62

Non-executive Director since March 2009.
Independent: Yes
Committees: Chair of the Audit and Risk Management Committee, a member of the People and Performance Committee, and the Nominations Committee.
Directorships: Director of The Bionics Institute of Australia (commenced in June 2012), Melbourne Jazz Limited (commenced in October 2009), RACV Ltd (commenced July 2013) and a member of the Council of Deakin University. Chairman of Australia Post (commenced November 2012)
Experience: Previously, a member of the Financial Reporting Council (ceased on 30 June 2012), a Director of Telstra Corporation Limited and Chief Financial Officer and Group Managing Director, Finance & Administration of Telstra. Prior to this he served as Director, Finance.

Directors' Interests

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

AGL Energy Limited Ordinary Shares	
Jeremy Maycock	65,626
Michael Fraser	703,182
Les Hosking	2,334
Graeme Hunt	0
Belinda Hutchinson	7,630
Sandra McPhee	17,121
Bruce Phillips	33,834
John Stanhope	3,586

Jeremy Maycock holds 1,500 Subordinated Notes issued by AGL Energy Limited.

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

Company Secretaries

Paul McWilliams was appointed Company Secretary of AGL Energy Limited on 25 August 2006. Paul's educational qualifications include Bachelor of Arts (Accounting) from the University of South Australia, Master of Applied Finance from Macquarie University and a Graduate Diploma in Applied Corporate Governance. He is a member of the Institute of Chartered Accountants of Australia, Chartered Secretaries Australia and the Institute of Chartered Secretaries and Administrators. Paul has had more than 36 years of experience across a variety of roles in the Australian Taxation Office, chartered accounting and listed public companies.

John Fitzgerald was appointed an additional Company Secretary on 25 August 2010. John's qualifications are a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is admitted as a Solicitor of the Supreme Court of New South Wales and is AGL's General Counsel. John has been practising in projects, mining and energy law for approximately 17 years.

Directors' Meetings

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

	Regular Board Meetings		Special Board Meetings		Audit and Risk Management Committee		People and Performance Committee		Safety, Sustainability and Corporate Responsibility Committee		Nominations Committee	
Directors' Name	A	B	A	B	A	B	A	B	A	B	A	B
Jeremy Maycock	14	15									2	2
Michael Fraser	14	15										
Les Hosking	15	15			5	5	2	2	3	3	2	2
Graeme Hunt	12	12					3	3	3	3	2	2
Belinda Hutchinson	15	15			5	5	5	5			2	2
Sandra McPhee	15	15			5	5			4	4	2	2
Max Ould	7	7					2	2				
Bruce Phillips	13	15			5	5			4	4	2	2
John Stanhope	15	15			5	5	5	5			2	2

A – number of meetings attended as a member

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

During the year, in aggregate, there were 18 occasions when the non-Executive Directors also attended some of the meetings of committees, of which they were not members.

Directors also participated in informal meetings and telephone conferences. AGL makes extensive use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; to dispose of routine matters and allow formal Board meetings to concentrate on more important matters. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Operating and Financial Review

AGL's Operations

About AGL

AGL is one of Australia's leading integrated renewable energy companies. AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro and wind. AGL is Australia's largest private owner and operator of renewable energy assets.

Operating Segments

AGL's segment results are reported according to the internal management reporting structure at the reporting date. The consolidated entity has four reportable operating segments:

› **Retail Energy** sells natural gas, electricity and energy-related products and services to residential and small business customers.

› **Merchant Energy** develops, operates and maintains power generation assets and manages the risks associated with the procurement and delivery of natural gas and electricity for its wholesale portfolio and for the Retail Energy segment. Merchant Energy also sells natural gas and electricity to business customers and provides energy efficiency and carbon management services.

› **Upstream Gas** invests in, and operates gas exploration, development and production tenements and develops and operates gas storage facilities.

› **Energy Investments** includes equity accounted investments in the ActewAGL Retail Partnership and Diamantina Holding Company Pty Limited. The equity accounted investment in Great Energy Alliance Corporation Pty Limited (GEAC) was also included in this segment up until 29 June 2012, when AGL completed the acquisition of GEAC, increasing its ownership from 32.54% to 100%. GEAC owns the Loy Yang A power station and adjacent brown coal mine which are now reported in the Merchant Energy operating segment.

Operating Results

The consolidated profit after income tax attributable to Shareholders was $388.7 million compared with $114.9 million for the prior year. The Underlying Profit was $598.3 million up 24.1% on the prior year underlying profit of $482.0 million.

Reconciliation of Underlying Profit to Statutory Profit

	Year Ended 30 June 2013 $m	Year Ended 30 June 2012 $m
Profit after tax attributable to Shareholders	**388.7**	114.9
Adjust for the following after tax items		
Significant items	**289.6**	155.1
Changes in fair value of financial instruments	**(80.0)**	212.0
Underlying Profit after tax	**598.3**	482.0
	cents	cents
EPS on Statutory Profit	**70.7**	23.8
EPS on Underlying Profit	**108.8**	100.0

Underlying Profit and Operating EBIT are the Statutory Profit and Statutory EBIT respectively adjusted for significant items and changes in the fair value of financial instruments. AGL believes that Underlying Profit and Operating EBIT provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

AGL believes Underlying Profit and Operating EBIT are useful as they:

- remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods and;
- remove changes in the fair value of financial instruments recognised in the income statement to remove the volatility caused by mismatches in valuing derivatives and the underlying asset differently.

Underlying Profit is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. 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 reviewed by the external auditor of AGL.

The following table reconciles Statutory EBIT to Operating EBIT:

	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m
Statutory EBIT	**667.2**	201.4
Significant items	**494.1**	211.7
Change in fair value of financial instruments	**(114.3)**	304.6
Finance income included in Operating EBIT	**2.3**	12.7
Operating EBIT	**1,049.3**	730.4

Operating EBIT for the year ended 30 June 2013 was $1,049.3 million compared with $730.4 million for the prior year. The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory)		**EBIT (Operating)**	
	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m	**Year ended 30 June 2013 $m**	Year ended 30 June 2012 $m
Retail Energy	**355.5**	332.8	**355.5**	332.8
Merchant Energy	**882.1**	224.2	**869.3**	549.7
Upstream Gas	**(395.4)**	(35.2)	**0.0**	0.6
Energy Investments	**26.2**	(140.2)	**26.2**	24.5
Centrally managed expenses	**(201.2)**	(180.2)	**(201.7)**	(177.2)
EBIT	**667.2**	201.4	**1,049.3**	730.4
Depreciation and amortisation	**287.1**	173.9	**287.1**	173.9
EBITDA	**954.3**	375.3	**1,336.4**	904.3
Average funds employed	**9,853.4**	7,917.2	**9,853.4**	7,917.2
EBIT / Average funds employed	**6.8%**	2.5%	**10.6%**	9.2%

Operating EBIT/Average funds employed increased 1.4 percentage points (ppts) due to a $318.9 million, or 43.7%, increase in Operating EBIT, partially offset by an increase in average funds employed of $1,936.2 million or 24.5%, mainly as a result of the full year of ownership of GEAC.

Retail Energy:

Operating EBIT of $355.5 million was up 6.8% on the prior year. AGL added a net 43,459 customers during the year, including a net 69,314 in NSW. Market conditions have been challenging, with customer churn and discount offers reaching unprecedented levels. AGL withdrew from unsolicited door knocking in March 2013 and has focussed on alternative sales channels and customer retention activities.

Despite adding an additional 61,834 electricity customers, electricity volumes fell 134 GWh compared with the prior year. These volume reductions were a result of consumers reducing consumption in response to large network distribution price increases and customer energy efficiency initiatives including rooftop solar.

Gas volumes were 0.5 PJ up on the prior year with increases in Victoria being largely offset by declines in New South Wales.

Merchant Energy:

Operating EBIT of $869.3 million was up 58.1% on the prior year due mainly to the inclusion of a full year of contribution from AGL Loy Yang following its acquisition on 29 June 2012. Other factors driving growth included:

- Higher revenue from Retail Energy as a result of higher customer tariffs and related transfer prices.
- Business customers increased margins due to increased electricity rates and higher gas volumes. Electricity volumes declined as overall demand declined with some customers coming off contract and lost to competitors.
- Inclusion of contribution from the Macarthur wind farm following its completion in February 2013.
- A net benefit from the introduction of a cost on carbon, including transitional assistance for AGL Loy Yang.

No development profits were recognised in the year compared with $43.0 million in the prior year.

AGL Loy Yang was integrated into the Merchant Energy business during the year. Its financial and operating performance was in line with the acquisition expectations.

Upstream Gas:

Operating EBIT decreased to $0.0 million compared with $0.6 million for the prior year. Operating EBIT from the Queensland / South Australia assets was up $0.5 million due to increased gas sales. Higher costs due to increased rig workover activity combined with lower gas sales resulted in the contribution from the NSW assets declining $1.8 million compared with the prior year.

AGL received Federal Government approval for Stage 1 of the Gloucester Gas Project, subject to satisfying 36 conditions and NSW Government development approval subject to satisfying 92 conditions . AGL is working on satisfying the conditions of the Federal and State government approvals.

Energy Investments:

Operating EBIT increased to $26.2 million compared with $24.5 million in the prior year. The prior year included a loss from the then equity accounted Loy Yang A results, which did not repeat in 2013. Contribution from the ActewAGL joint venture was slightly down on the previous year mainly due to lower electricity consumption.

Centrally Managed Expenses:

Centrally managed expenses increased by $24.5 million to $201.7 million. The main increase is due to the inclusion of general and administrative costs associated with AGL Loy Yang of $25.8 million. Excluding these costs, centrally managed costs were slightly down on the prior year.

Significant items	**Year ended 30 June 2013**		Year ended 30 June 2012	
	Pre-tax	**PAT**	Pre-tax	PAT
	$m	**$m**	$m	$m
Loy Yang acquisition	**(52.9)**	**(52.9)**	(175.9)	(174.3)
Impairment of Upstream Gas New South Wales assets	**(343.7)**	**(284.3)**	-	-
Impairment of other Upstream Gas assets	**(51.7)**	**(36.7)**	(35.8)	(26.6)
Impairment of Power Development assets	**(45.8)**	**(38.9)**	-	-
Tax items	**-**	**123.2**	-	45.8
Total significant items	**(494.1)**	**(289.6)**	(211.7)	(155.1)

Loy Yang A acquisition

On 29 June 2012, AGL completed the acquisition of the remaining 67.46% of shares and loan notes issued by Great Energy Alliance Corporation Pty Ltd (GEAC) that it did not already own. As a result of the acquisition AGL now owns the 2,210 MW Loy Yang A power station and adjacent brown coal mine.

AGL received external advice that GEAC was not land rich for the purposes of Section 71 of the Duties Act 2000 (Vic) at the time of the acquisition. On this basis, AGL lodged submissions with the Victorian State Revenue Office (SRO) claiming that there should be no liability for stamp duty in relation to the acquisition.

On 30 November 2012, the SRO responded to AGL's submission stating that it believed that GEAC was land rich and therefore stamp duty of approximately $82.0 million could be payable. This matter was disclosed as a contingent liability in the financial statements for the year ended 30 June 2012.

Following negotiation with the SRO, AGL advised the market on 29 May 2013 that a final amount of $52.9 million has now been paid in full settlement of stamp duty in relation to the acquisition of GEAC. In accordance with accounting standards, this amount has been expensed. This stamp duty payment is non-deductible for income tax purposes.

Impairment of Upstream Gas New South Wales (NSW) assets

During the year there has been significant change and uncertainty in government policy which has affected the value of AGL's Upstream Gas assets in NSW.

On 19 February 2013, the NSW Government announced its intention to amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP) and subsequently issued a Planning White Paper calling for submissions by 28 June 2013. At the date of reporting, the NSW Government was still to release a final amended Mining SEPP.

The proposed changes include exclusion zones for coal seam gas exploration and development within 2 km of residential areas and within certain critical industry cluster areas covering viticulture and equine activities.

Existing approved projects are not expected to be affected. For AGL, these are the approved and operating project at Camden and the approved project at Gloucester (Stage 1). Proposed but not approved AGL projects that are potentially affected are Camden (Camden North expansion), Hunter and Gloucester (Stages 2 & 3).

Based on the information available at the time of reporting, the expected effect of the proposed Mining SEPP changes on the reserves of AGL's NSW assets is set out in the following table:

AGL share of gas reserves (PJ) *	**Reported as at 30 June 2012**		**Estimated reserves based on Mining SEPP changes**	
	2P	**3P**	**2P**	**3P**
Camden	138	183	50	50
Hunter	134	257	0	0
Gloucester	635	790	454	565
Total	**907**	**1,230**	**504**	**615**

* Consistent with new ASX Listing Rules reporting requirements, gas reserves are now reported net of 'lease fuel', i.e. net of estimated own use fuel consumption upstream of the point of sale. Reserves as at 30 June 2012 have been restated accordingly for comparison purposes.

While the NSW Government is yet to finalise the Mining SEPP, it has been considered prudent to recognise a provision for impairment of the book value of these projects as follows:

	Book value before impairment	**Impairment provision**		**Book value after impairment**
		Pre-tax	**PAT**	
	$m	**$m**	**$m**	**$m**
Camden	**130.0**	**(44.4)**	**(31.1)**	**85.6**
Hunter	**202.8**	**(192.8)**	**(178.7)**	**10.0**
Gloucester	**454.0**	**(106.5)**	**(74.5)**	**347.5**
Total	**786.8**	**(343.7)**	**(284.3)**	**443.1**

Impairment of other Upstream Gas assets

AGL has a 50% joint venture interest in ATP 529P with the other 50% held by Galilee Energy Limited (GLL). During the year a parcel of approximately 16.1% of the shares in GLL was exchanged at less than the value of cash reserves held by GLL, indicating that the interest in the ATP 529P had no value. AGL conducted a carrying value review of its interests in ATP 529P. After allowing for technical and commercial uncertainty associated with the ongoing exploration program, AGL considers its interest in the joint venture has negligible value.

	Year ended 30 June 2013	
	Pre-tax	**PAT**
	$m	**$m**
Galilee	**(49.9)**	**(34.9)**
Other	**(1.8)**	**(1.8)**
Total other Upstream Gas impairment	**(51.7)**	**(36.7)**

Impairment of Power Development assets

A review of the portfolio of power development projects has been conducted in the light of the supply and demand outlook for the National Electricity Market (NEM). This review has concluded that a number of projects were unlikely to be developed based upon the expected revenue streams and the costs to develop each project. As a result the previously capitalised costs of these projects have been written off resulting in an impairment charge of $45.8 million before tax and $38.9 million after tax. The following assets have been written off:

	Year ended 30 June 2013	
	Pre-tax	**PAT**
	$m	**$m**
South Australian wind projects	**(12.1)**	**(11.0)**
Leafs Gully power station	**(8.6)**	**(7.6)**
Other renewable options	**(19.2)**	**(16.0)**
Other projects	**(5.9)**	**(4.3)**
Total Power Development write-offs	**(45.8)**	**(38.9)**

Tax items

Tax treatment of unbilled revenue:

> AGL accounts for unbilled revenue using an estimate of energy consumed until reporting date but not yet billed to customers. For taxation purposes, AGL has previously treated unbilled revenue as derived for income tax purposes only when a bill was issued to customers. This treatment gave rise to a deferred tax liability.
>
> AGL and the Australian Taxation Office (ATO) have agreed a revised approach whereby AGL's tax treatment will transition to the approach consistent with the accrual method used for accounting. This in-principle agreement will result in amended assessments in respect of AGL's 2008 to 2012 years of income of $41.3 million.
>
> The agreement reached with the ATO results in an income tax benefit of $176.6 million recorded as a significant item, arising from a reversal of the deferred tax liability, net of taxes paid and payable.

A deferred tax asset originally recognised at 30 June 2012 in relation to the Petroleum Resource Rent Tax (PRRT) Assessment Act 1987 has been de-recognised as at 30 June 2013. The deferred tax asset represented the difference between the PRRT starting tax base amount and the carrying value of the production permits to which the PRRT will apply. Due to the Mining SEPP changes discussed above and the associated reduction in the carrying value of the production permits there is no longer any deferred tax asset to recognise resulting in a charge to current year income tax expense of $53.4 million.

Financial Position and Operating Cash Flow

The consolidated entity's net assets as at 30 June 2013 were $7,339.0 million, an increase of $206.1 million on the prior year. The main movements in the net assets of the consolidated entity were:

- An decrease in working capital of $53.8 million
- The provision for impairment of Camden ($31.1 million after tax), Gloucester ($74.5 million after tax) and Hunter ($178.7 million after tax), the impairment of Galilee ($34.9 million after tax) and other upstream gas assets ($1.8 million after tax) and power development projects ($38.9 million after tax)
- Capital expenditure of $631.1 million including the Macarthur wind farm, Newcastle Gas Storage and Qenos co-generation facilities as well as Upstream Gas projects and stay in business capital expenditure
- Repayment of $1.3 billion of borrowings, reducing cash balances by an equivalent amount.

Operating cash flow before interest, tax and significant items grew from $750.7 million to $1,232.0 million, an improvement of 64.1%. The cash flow improvement was due to a 47.8% growth in EBITDA and improvements in working capital. The table below reconciles Operating EBITDA to Operating cash flow before interest, tax and significant items:

		Year ended 30 June 2013 $m		Year ended 30 June 2012 $m
Operating EBITDA		**1,336.4**		904.3
Equity accounted income (net of dividend received)		**(1.8)**		14.0
Accounting for onerous contracts		**(48.8)**		(20.9)
Working capital movements				
(Increase) / decrease in receivables	**(247.8)**		(197.0)	
(Increase) / decrease in inventories	**21.0**		(21.5)	
Increase / (decrease) in creditors	**22.4**		106.6	
Increase / (decrease) in carbon liability	**144.8**		-	
Net derivative premiums paid / roll-offs	**21.9**		(3.9)	
Net movement in GST recoverable / payable	**13.3**		(7.8)	
Other	**(29.4)**	**(53.8)**	(23.1)	(146.7)
Operating cash flow before interest, tax & significant items		**1,232.0**		**750.7**

Business acquisitions and disposals

There were no material acquisitions or disposals during the financial year ended 30 June 2013.

Funding

Total borrowings decreased from $4.3 billion to $3.1 billion, a reduction of 28%. The reduction was due to the repayment of $978.1 million of secured borrowings which were assumed through the acquisition of GEAC. During the year AGL also repurchased CPI bonds with an aggregate face value of $119.6 million which amounted to 34.2% of the bonds on issue.

Borrowings of $600 million are to be refinanced by July 2014.

Business strategies and prospects

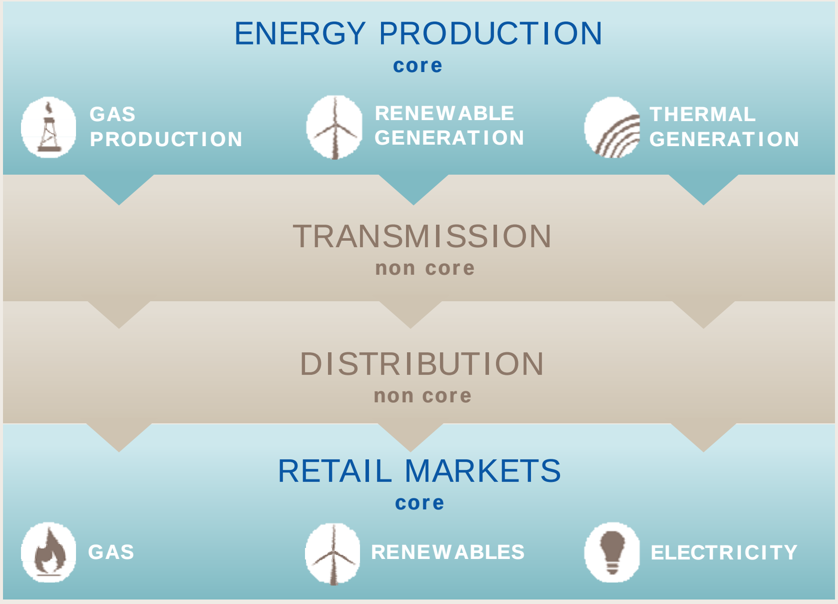
AGL has a vertically integrated strategy whereby it owns or controls some of the sources of gas and electricity to supply its energy customers. This strategy provides access to multiple profit pools and assists to provide a natural hedge against energy price movements in the wholesale electricity and gas markets. Since listing in its current form in 2006, AGL has increased integration across its businesses, largely by increasing:

i. direct ownership of gas reserves over the medium term to meet a substantial proportion of its long-term demand for gas; and
ii. owned or contracted electricity generation capacity, now at 5,847 MW.

Energy Production

Status

- 5,847 MW of operating capacity including 1,720 MW of renewable generation
- 20.5 TW h of self generation against sales of 30.0 TWh
- 1,729 PJ of 2P gas reserves (including ATP 1103)
- 13.0 PJ of self supply against sales of 201.1 PJ
- Construction commenced on Newcastle gas storage
- Silver Springs gas storage capacity of 30 PJ



Retail Markets

Status

- 2.1 million electricity customers
- 1.4 million gas customers
- 1.7 million dual fuel accounts
- 590,000 customers now online
- Over 730,000 e-billing accounts
- Over 400,000 customers linked to flybuys
- Almost 600,000 customers have access to My AGL IQ

Retail Energy

Consumer electricity demand has been declining in recent years for a number of reasons referred to in the Merchant Energy section below. Market competition is high with discounting and customer churn at significant levels. Retail Energy has implemented a number of strategies focused on improving customer engagement including exiting door knocking and building alternative sales channels, providing flexible billing options, delivering market leading on-line solutions such as My AGL IQ, and growing other revenue such as the AGL Solar and AGL Smarter Living businesses.

AGL has an ongoing strategy to materially grow its customer base in NSW by 30 June 2014. This has delivered net growth of over 290,000 customers since the project was initiated in January 2011, with NSW now AGL's largest market with over 717,000 customers.

On 15 July 2013, AGL announced its intention to acquire Australian Power and Gas Company Limited (APG) with the transaction expected to be completed by the end of October 2013. This acquisition will result in AGL increasing customer numbers by approximately 350,000.

Merchant Energy

Energy demand has weakened across the NEM due to a combination of increased prices, the high Australian dollar impacting manufacturing volumes, energy efficiency initiatives and increased rooftop solar generation. This low demand, coupled with excess supply has resulted in low wholesale energy prices.

Carbon policy uncertainty is adversely affecting the electricity market. This has lead to decreased liquidity in the forward market. Whilst the lowering or removal of a carbon price will result in a short-term EBIT reduction, the longer term effect will be to significantly increase AGL's valuation of Loy Yang A.

The Large Renewable Energy Certificate (LREC) market continues to carry a bank of certificates until FY2016. AGL has sufficient LREC's to meet its consumer market and existing contracts for business customers for approximately 5 years under the existing Renewable Energy Target (RET).

There is an increasing level of political uncertainty regarding the RET, and whether the existing targets will be maintained. However, any potential changes to the RET is still likely to require significant further development of new renewable energy assets.

On 31 July 2013, AGL announced that two large-scale solar photovoltaic projects are set to proceed after achieving financial close in respect of funding agreements with the Australian Renewable Energy Agency (ARENA) and the NSW Government. The AGL solar projects will include a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill. The total project cost is approximately $450 million. ARENA will provide $166.7 million and the NSW Government will provide $64.9 million. Construction of the Nyngan project is expected to commence in January 2014, with completion scheduled by mid 2015. Construction of the Broken Hill project will start approximately six months later, in July 2014, and is scheduled to be completed around November 2015.

The outlook for the eastern Australian gas market is likely to be increased demand due to the commencement of LNG exports from Queensland (Qld), declining supply and increasing prices. A number of AGL's major gas supply contracts come to an end from 2017. AGL is well placed with a long gas position in Qld with supply contracts in place to 2027 that allow for additional sales of up to 40 PJ per annum from 2015 onwards. The NSW Government policy on coal seam gas (CSG) exploration (refer to the section on Significant Items above) will further restrict supply, which is expected to particularly affect AGL's ability to supply gas to Commercial and Industrial (C&I) users.

The NSW Government has announced its intention to privatise certain generation assets. AGL intends to review the assets for sale with any proposed acquisition required to exceed AGL's financial hurdle rates.

Upstream Gas

Security of supply

Eastern Australian gas demand is expected to increase substantially from 2014 onwards as LNG exports in Queensland come on stream. This coincides with the roll-off of the majority of AGL's long term gas supply contracts. AGL intended to meet domestic demand from a combination of supply contracts and self supply sources including Camden, Gloucester and the Hunter projects.

However, the recent NSW government proposed changes to the mining SEPP, if implemented will preclude CSG projects from being developed in defined exclusion zones. The effect of these changes will be to increase AGL's reliance on gas supply contracts, which is expected to lead to a material increase in gas supply costs and potential shortages for C&I customers.

Gas Storage

Gas demand is heavily biased towards winter. Traditionally demand fluctuations ("swing gas") have been managed by gas producers. With the emergence of LNG exports opportunities are likely to emerge for producers to increase plant utilisation rates, with pressure on retailers to assume responsibility for managing peak demand as existing supply contracts roll off. Opportunities to manage this peak demand include recontracting of supply and establishment of gas storage.

In July 2012, AGL announced approval to build the Newcastle Gas Storage Facility which is expected to be operational from mid 2015. The facility will enable AGL to meet periods of peak demand for gas in NSW.

In 2011 AGL began injecting and storing gas at the Silver Springs reservoir in the Bowen Basin in central Queensland. AGL supplies gas storage services to third parties, with additional capacity allowing AGL to manage its gas supply during seasonal variations.

Investments

Diamantina Power Station

On 6 October 2011, AGL entered into a 50:50 joint venture with the APA Group to construct the Diamantina Power Station in Mt Isa. The power station consists of 242 MW CCGT and 60 MW OCGT (dual fuel) power stations and is due to become operational during FY2014.

Business risks and mitigations

AGL identifies major risk exposures using an enterprise-wide risk program based on ISO31000, the international standard on risk management. This program is supported by AGL's Risk Management Policy. AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. In relation to each risk, AGL has in place actions to reduce the likelihood of the risk eventuating and/or to reduce, as far as practicable, the adverse consequences of the risk should it happen. Many of the risks are influenced by factors external to, and beyond the control of, AGL.

Details of AGL's main risks and related mitigation strategies are set out below:

Risk	Risk Description	Potential consequence and mitigation strategies
Commodity Markets	Volumes of commodity demand and production are not as forecast resulting in adverse exposures to volatile market prices, eg: › Production failure from electricity generation assets; › Customer demand in electricity and gas varies to forecast; › Gas supply contracts not available at expected prices; › Electricity pool price spikes; › Renewable certificate supply mismatch to regulatory requirements.	Potential effects on gross margin growth to be mitigated by continuous development of strategies to manage long term position and development of leading risk indicators.
Asset Risk	The risk of not safely, sustainably and predictability controlling an asset to operate in accordance with business requirements.	Potential effects on asset performance or value realisation to be mitigated by embedded Health, Safety and Environment (HS&E) action plans, focus on operational excellence, operational improvement plan and asset replacement program.
Energy Policy	The risk of failing to engage with federal, state and local governments and regulators to accurately forecast desired outcomes, to achieve and enable strategic initiatives and operations.	Potential earnings effects of unpredicted shifts in policy settings to be mitigated by active engagement with all levels of government.
Strategic Growth	The risk of failing to; › identify or respond effectively to changing market conditions (including market structure); and › achieve strategic growth objectives	Potential earnings effects of changes in market conditions to be mitigated by ongoing focus on emerging markets and technologies, renewable energy policy and development pipeline, regulatory pricing changes and the identification of external trends.
Business IT Development, Service and Support	The risk that IT strategy, infrastructure, applications, service and support will not adequately deliver; › growth in business offerings and development opportunities for organisational sustainability and competitive advantage; › increase in productivity and support improvements in existing operations	Potential earnings effects of under-investment in IT to be mitigated by ongoing investment in digital solutions and analytical tools.
Community & Stakeholder Engagement	The risk of not effectively engaging and influencing stakeholders, (including local communities, politicians and media) in which we plan to develop, build and operate upstream gas and power development projects	Potential impediments to growth of upstream gas and power development projects to be mitigated by effective engagement of all stakeholders and a focus on operational excellence.
Decreasing Customer Profitability and Market Share	The risk of a continuing spiral of high discounting driven by high churn which in turn drives even higher discounting	Potential earnings effects of loss of customer share to be mitigated by focus on retention of existing customers, growth of energy solutions business and remaining lowest cost Tier 1 retailer.
Regulatory Pricing	The risk of unfavourable pricing outcomes due to regulated pricing and failure to comply with legislative and licence obligations.	Potential earnings effects of unpredicted pricing outcomes mitigated by early engagement in changes to regulatory settings and a program of compliance.
Finance & Earnings	The risk of failing to maintain competitive operational and capital funding requirements to finance AGL's	Potential effects on cost of funding to be mitigated by effective capital management and long term funding

Risk	Risk Description	Potential consequence and mitigation strategies
	growth objectives to generate adequate returns to shareholders.	strategy.
Employee Engagement & Performance	The risk of failing to attract and retain the best talent available to execute and support the objectives of the integrated strategy and develop a highly engaged workforce with a focus on performance and operational excellence	Potential effects on strategy due to unavailability of talent, to be mitigated by focus on operational excellence, commitment to a strong HS&E culture and enhancing performance and leadership quality
Governance	The risk that the governance structure is inconsistent with; › external legal, regulatory and stakeholder expectations and › does not protect the business against financial and reputational damage.	Potential effects on reputation to be mitigated by adherence to ASX Corporate Governance principles, a robust compliance program, a fraud management program and sound contract management processes.

Commercial in confidence information

Further information about likely developments in the operations of AGL and its consolidated entity and the expected results of those operations in the future has been included in this Directors' Report except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

The type of information not disclosed includes commercial in confidence information such as detailed operational plans and strategies that would provide third parties a commercial advantage.

Dividends

The annual dividend for the year ended 30 June 2013 was 63.0 cents per share compared with 61.0 cents per share for the prior year.

The following dividends have been paid or declared by the Directors since 30 June 2012:

Final dividend of 32.0 cents per share (100% franked) paid on 27 September 2012	$174.9 million
Interim dividend of 30.0 cents per share (100% franked) paid on 4 April 2013	$165.3 million
Final dividend of 33.0 cents per share (100% franked) payable on 27 September 2013	$182.9 million

Environmental Regulation

AGL businesses are subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at both Federal and State Government levels. **Table 1** sets out environmental issues and non-compliances that were reported to regulators during the reporting period. Corrective actions have been implemented to address each of the issues listed. More information on the Group's environmental performance is published in AGL's Sustainability Performance Report 2013, available on the AGL website in late 2013.

Table 1 – Summary of AGL's Environmental Incidents and Non-Compliances

Site	Key Environment and Planning legislation	Comments
Rosalind Park Gas Plant, Camden Gas Project, NSW	Protection of the Environment Operations Act 1997	1. In July 2012, AGL notified the New South Wales Environment Protection Authority (EPA) that, due to a number of factors including technical problems, the Continuous Emissions Monitoring System at the plant was not operating between 2009 and July 2012, as required by the Environment Protection Licence (EPL). AGL has implemented remedial measures to address the non-compliance and will comply with the enforceable undertaking approved by the EPA on 8 August 2013. 2. In late 2012, AGL reported a minor breach related to exceedence of the EPL limit for emissions of nitrogen oxides (NOx) that occurred in September, November and December 2012. In March 2013, the EPA issued AGL a penalty infringement notice involving a $1,500 fine for this minor breach. 3. In February 2013, AGL reported an EPL non-compliance related to the selection of sampling positions for air emissions monitoring. 4. In July 2013, the EPA issued AGL a penalty infringement notice involving a $1,000 fine for failing to upload air quality monitoring reports to the company's website within 14 days of obtaining monitoring data. All required reports were uploaded as soon as this was brought to AGL's attention.
AGL Loy Yang, Vic	Environment Protection Act 1970	1. In May 2013, a licence limit breach occurred when water discharged offsite to Traralgon Creek was contaminated with fire service water due to a pipe blockage. The contamination caused the quality of the discharged water to exceed the site licence limit for turbidity and colour for approximately four hours. 2. In June 2013, high rainfall resulted in an exceedence of the site licence limit for turbidity for water discharged to Traralgon Creek. Review of water quality upstream of AGL's discharge point indicated AGL's discharge was equal to or less than ambient levels. 3. In June 2013, an ash pipeline failure resulted in a discharge offsite to the adjacent Loy Yang B property.
Torrens Island Power Station, SA	Environment Protection Act 1993	1. An internal review of water quality monitoring results of marine discharges from AGL Torrens detected elevated levels of some chemicals. These levels exceeded the criteria set out in the South Australian *Environment Protection (Water Quality) Policy 2003*. AGL submitted a precautionary notification of this exceedence to the South Australian EPA on 17 December 2012. An external expert review of results concluded the environmental impact of the marine discharge is likely to be 'trivial', as defined under the *Environment Protection Act 1993*. AGL's plan to achieve compliance with the policy was submitted to the EPA in May 2013. 2. In June 2013, AGL submitted a notification to the EPA relating to contamination in groundwater surrounding the site sewerage treatment plant. The cause and extent of contamination is being investigated.
Bogong Village Accommodation, Vic	Environment Protection Act 1970	In June 2013, routine monitoring of the Bogong Village wastewater treatment plant detected exceedence of the licence limit for E. Coli.
Silver Springs Oil and Gas, Qld	Environmental Protection Act 1994; and Queensland Petroleum and Gas (Production and Safety) Act 2004	1. In November 2012, a release of oil and water, estimated at 5kL (kilolitre), occurred on the Beechwood-Tinker pipeline. 2. Also in November 2012, a landholder reported that an oil release occurred on the Tinker pipeline. 3. In December 2012, a release of produced water, estimated at 10kL, occurred on the Beechwood-Taylor pipeline.
Moranbah Power Station, Qld	Environmental Protection Act 1994	Emission testing planned for October 2012 could not be completed in line with the timeframe specified in the Development Approval as engines had mechanical damage and were out of service. Monitoring was completed in November 2012 and results were submitted to the Queensland Department of Environment and Heritage Protection.

Changes in State of Affairs

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

Principal Activities

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

Proceedings on Behalf of the Company

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

Events Subsequent to Balance Date

Apart from matters discussed elsewhere in this Directors' Report or the annual Financial Report, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2013 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the future.

Non-Audit Services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in the AGL annual Financial Report Note 42.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Semi-annual reports on the provision of auditing and related services are provided to the Board through the Audit and Risk Management Committee. Directors are satisfied that the provision of $107,000 of non-audit services by the external auditor is compatible with the general standard of independence for auditors.

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

Indemnification and Insurance of Officers and Auditors

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

- > liability to third parties (other than related entities) when acting in good faith; and
- > costs and expenses of successfully defending legal proceedings and ancillary matters.

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

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

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

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is attached to the AGL Financial Report 2013.

Rounding

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

Remuneration Report

AGL seeks to maintain and grow its business by attracting and retaining the best possible people to align with driving increased shareholder value. It is important to be able to promote and recognise the excellence we demand by rewarding all of our Executives appropriately.

The Directors present the Remuneration Report for AGL Energy Limited and its consolidated entities for the year ended 30 June 2013 in line with Section 300A of the Corporations Act.

This report covers the remuneration and benefits of AGL's key management personnel (KMP).

We have structured the report into 9 sections:

1. Our remuneration policy
2. Our remuneration framework
3. Linking remuneration to performance
4. Remuneration mix
5. Key Management Personnel
6. Remuneration disclosures: KMP
7. Terms of Executive contracts
8. Non-executive Directors
9. Five year financial performance

Key points for the year ended 30 June 2013

Total Fixed Remuneration (TFR)

No increase in TFR for the CEO and senior management.	The Board accepted management's recommendation that there be no increase in TFR for the CEO and senior management of AGL for the 2013/14 financial year.

Short-term incentive (STI)

STI payout for CEO was 60% of maximum	The STI payment represents very good progress in achieving a number of AGL's strategic targets, including the integration of Loy Yang, achievement of an Underlying Profit outcome for 2012/13 within our market guidance, improved customer service metrics as well as lagging safety indicators. On the other hand regard was had to one-off significant items in the accounts.
STI clawback - CEO	Mr. Fraser has advised AGL that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will be subject to clawback.

Long-term incentive (LTI)

Mixed LTI outcomes for notional bank accounts in 2013 (40% of 'banked ' SPR's vested to Executives and were converted into AGL shares)	AGL's performance against the relevant performance hurdles was mixed and resulted in the following outcomes for the year: > No Share Performance Rights (SPRs) being deposited into the Total Shareholder Return notional bank account; and > SPRs being deposited into the EBIT/Funds Employed notional bank account.

Total Remuneration Package

CEO's total remuneration down by $0.475m	The CEO's total remuneration for the year decreased from $6.3million to $5.8million which primarily reflects a reduction in the STI payment.

Non-executive Directors

No increase in non-executive Directors' remuneration	The Board resolved that there would be no increase in non-executive Director fees for the 2013/14 financial year.
Non-executive Director remuneration	Total fees paid to non-executive Directors in the year were $1.78million, $0.72million below the approved maximum aggregate to non-executive Directors' remuneration. The total fees paid represent a 7.2% increase over the previous year.

During the year ended 30 June 2013 the Board reviewed its executive remuneration framework. It benchmarked its framework against industry best practice, analysed remuneration trends and considered proposed Government legislative changes. The Board met with its external advisor to discuss remuneration and governance issues.

Following this review the Board has concluded that AGL's overall approach to remuneration remains appropriate however, there were some opportunities for improvement identified that would provide greater alignment with the interests of shareholders. These include introducing a clawback component in the STI arrangements of Direct Reports of the CEO in the event of a material misstatement of financial accounts or gross misconduct. In addition, Mr. Fraser has advised that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will also be subject to clawback.

Abbreviations used in this report

Board:	AGL Board of Directors
Committee:	People and Performance Committee of the Board
EBIT:	Earnings before interest and tax
KMP:	Key management personnel (those Executives who have authority and responsibility for planning, directing and controlling the activities of AGL, either directly or indirectly)
Executive:	Executives other than CEO who are KMP
LTI:	Long-term incentive
PDR:	Performance and development review
SGC:	Superannuation guarantee charge
SPR:	Share performance right
STI:	Short-term incentive
TFR:	Total fixed remuneration
TSR:	Total shareholder return
VWAP:	Volume weighted average price

1. Our remuneration policy

The key principle underpinning our remuneration policy is to promote and recognise excellence in a way that is fair to all stakeholders.

Our remuneration policy is designed to promote excellent performance while meeting these goals:

> align the interests of shareholders, employees, customers and the community with AGL's objectives and values
> attract and retain key talent
> keep employees committed and motivated by providing fair remuneration and other benefits to all employees
> meet long-term people needs through effective talent management and succession planning
> meet AGL's commitment to a diverse and inclusive workplace
> promote AGL as an employer of choice
> comply with relevant legislation and corporate governance principles.

The remuneration policy is reviewed and ratified annually by the Board's People and Performance Committee.

External Advisors

The People and Performance Committee (Committee) retained PricewaterhouseCoopers (PwC) as their independent remuneration advisor throughout the year. PwC's role in this regard was to provide independent remuneration advice to the Committee and Board, as and when required.

Share Plan participation

AGL actively promotes employee participation in Share Plans.

AGL offers its employees participation in the following Share Plans:

- **AGL Long-Term Incentive Plan (LTIP):** Executives are granted Share Performance Rights (SPRs) that vest when specified applicable performance conditions are met.
- **AGL Share Reward Plan:** eligible employees are granted up to $1,000 worth of AGL shares each year subject to AGL meeting specific performance hurdles. Shares awarded under the Plan must be held for at least three years or until the employee ceases employment. (Note, participants in the Share Reward Plan are not eligible to participate in the LTIP described above).
- **AGL Share Purchase Plan:** the Plan Trustee acquires AGL shares on-market at market price during permitted trading periods generally for Directors and employees who have salary-sacrificed a portion of their pre-tax salary.

The number of employees participating in the Share Reward Plan and Share Purchase Plan is 1,560 (out of 2,175 eligible employees) and the number of AGL shares held is 553,054.

2. Our remuneration framework

The remuneration of our Executives is composed of three elements: Total Fixed Remuneration, which is fixed; and Short-Term and Long-Term Incentives, both of which are variable (at risk).

The CEO and Executives are remunerated by a combination of fixed remuneration and short and long-term incentives. Executive remuneration therefore has three elements:

> total fixed remuneration (TFR)
> short-term incentive (STI) payments
> long-term incentive (LTI) payments.

The mix varies for individual roles and is determined by comparison with market remuneration practice, taking into account the complexity of the business and the industry.

A rigorous approach to establishing remuneration levels for each Executive is informed, in part, by relevant market remuneration data information sourced from Hay Group, an independent external organisation. Hay Group provided three remuneration market survey samples for Executives, as well as three remuneration market survey samples for the CEO which were considered when reviewing the remuneration of the Executives and CEO. These market survey samples were:

> A large survey sample containing executive positions in ASX Industrial & Service organisations was utilised for executives. For the CEO, only CEO positions in ASX Industrial & Service organisations were reviewed. This remuneration benchmark is useful because it is large, and hence, less volatile year-on-year. As such it is more likely to track indicative market trends over time in a more stable way.

> For Executives a smaller survey sample drawn from the same Industrial & Service organisations, but only containing positions that represent a close functional match to each executive position was utilised.
This sample has the advantage of higher perceived relevance when used in conjunction with the larger sample because it assists in identifying market differentials for various positions. However, due to the smaller sample size, it is potentially more volatile from year to year.

> For both the CEO and executive positions, a specialist survey sourced from disclosed market remuneration data for the previous 12 months for ASX-listed entities ranked 10 to 50 by market capitalisation. These entities are chosen by size as they are 20 either side of AGL's market capitalisation. This sample, when used in conjunction with the other two surveys, assists in identifying remuneration differentials due to the market capitalisation of the organisation.

> For the CEO's position, a further specialist survey was sourced from disclosed market remuneration data for the previous 12 months for ASX-listed entities with a market capitalisation of between $5 billion and $10 billion. These entities are chosen because they are each side of AGL's market capitalisation of $8 billion. This sample, when used in conjunction with the other two CEO surveys,

assists in identifying remuneration differentials due to the market capitalisation of the organisation.

Total Fixed Remuneration (TFR)

TFR is specified in the Executive's Service Agreement and is in line with market rates. TFR is reviewed regularly.

TFR is the non-variable component of an Executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying super fund on the Executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. The amount of TFR is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance, expertise, skills and experience.

3. Linking remuneration to performance

Remuneration is linked to performance to attract and retain high calibre executives by motivating them to achieve performance goals which are aligned to AGL's interests.

The two remaining elements of executive remuneration, STI and LTI, are directly linked to the performance of both the Executive and the company.

Short-Term Incentive (STI)

STI varies from year to year, based on performance.

STI payments are based on the achievement of individual performance targets set at the start of the financial year. STI payments are designed to motivate Executives to achieve AGL's overall performance objectives.

STI payments align individual performance with business outcomes in the areas of financial performance, customers, people management and strategic growth and innovation.

Executives are eligible to be considered for an STI payment when they have performed satisfactorily in their role, met performance objectives and demonstrated AGL's values, throughout the year. This is assessed annually using the Performance and Development Review (PDR) process (which is used for all employees throughout AGL).

The PDR is used to measure the actual level of achievement of each objective in the financial year. No STI is payable for any objective where a minimum level of performance has not been reached. This performance management process links the amount of STI paid with AGL's overall performance as well as an individual's performance during the year, and gives superior rewards for outstanding performance.

The maximum STI potential entitlement varies between 50% and 100% of TFR for Executives including the CEO.

In the year ended 30 June 2013, 157 employees participated in the STI plan.

How STI works

- Varies annually based on individual performance against specified targets.
- Can be paid in cash or as a contribution to a complying superannuation fund.

STI is payable:

- To Executives employed at the end of the financial year.
- At the discretion of the Board in other exceptional circumstances.

How STI was linked to performance this year

The actual level of STI paid to each Executive is determined at the end of the financial year based on the Executive's achievement of specified performance objectives in the following categories:

> Financial
> Customer
> People management
> Strategic growth and innovation.

The performance objectives are established at the beginning of the financial year. The weighting given to each category varies for each Executive depending on their role. Typically, the weightings for KMP might be:

> Financial 40%
> Customers and Strategic 40%
> People management 20%.

For the CEO for 2012/13 the performance objective weightings were:

> Financial 50%
> Customers, Strategic and
> People Management 50% in total.

Results against objectives common to all Executives are detailed in the table below. Performance against other objectives specific to each Executive's key area of responsibility is also included.

AGL Executives' performance objectives for 2012/13

Common objectives	What	Result
Financial results	All Executives had an objective related to AGL's Underlying Profit for 2012/13 as well as individual Business Unit operating expenses.	AGL's Underlying Profit was a 24% improvement over 2011/12 and was within our market guidance. Some executives STI payments were impacted by the one-off significant items in the accounts.
Safety performance	Completing specific plans to continue improving AGL's safety leadership and culture (including targets with respect to injury rates).	100% of all specific safety action plans for 2012/13 were completed. Further, lagging safety indicators improved across AGL, however some individual

		business units missed their targets and therefore some executive's STI payment reflected this outcome. Overall AGL's Lost Time Injury Frequency Rate for 2012/13 was 3.2 compared to 5.0 for 2011/12 and the Total Injury Frequency Rate (TIFR) for 2012/13 was 5.9 compared to 8.5 for 2011/12.
Customer satisfaction	All Executives had an objective to improve AGL's overall customer satisfaction, as measured against our competitors.	AGL outperformed key competitors across a range of customer service and satisfaction measures.
Employee engagement	Specific initiatives are developed each year to build employee engagement and AGL invites all employees to take part in an engagement survey. All Executives had targets with respect to employee engagement.	Numerous initiatives to promote engagement were successfully implemented across the business. The overall 2013 survey result for employee engagement at AGL was 77% compared to a result of 70% in 2011/12 (the 2011/12 result has been adjusted from the disclosed result in last year's Annual Report due to a change methodology following a change in service provider). The 10% improvement in 12 months is seen as significant based on external benchmarks.
Specific individual objectives for Executives	What	Result
Executive's area of responsibility	Each Executive also has performance objectives related to their specific area of responsibility for AGL's business in the categories of: > Financial	1. Individual Executives generally achieved their specific individual key objectives for 2012/13.

	> Customer > People management > Strategic growth and innovation	

The details of actual STI received for the year ended 30 June 2013 for KMP are set out in the remuneration table in section 6.

Long-Term Incentive (LTI)

A LTI is designed to drive performance over longer time frames to create sustainable shareholder value.

AGL's LTI Plan has been in operation since 2009. AGL had an 'Old' LTI Plan which had its final testing against its performance hurdle in September 2012 and is no longer in operation.

AGL's LTI plan consists of Share Performance Rights (SPRs), which vest (ie convert into AGL shares owned by the relevant Executive) over time if specific applicable performance hurdles are met.

A SPR:

> is an entitlement to one fully-paid ordinary share in AGL;

> does not carry dividend or voting rights; and

> is adjusted for the effect of any bonus issues, rights issues, and reconstructions and reorganisations of the capital of AGL.

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

LTI allocations are determined based on market practice, so that AGL remains competitive in remuneration against its comparator group.

The maximum LTI notional allocation of SPRs varies between 40% and 100% of TFR for Executives including the CEO.

In the year ended 30 June 2013, 22 employees participated in the LTI plan.

How the LTI plan works

> Participants are notionally granted SPRs, at the start of the financial year, that are banked at the end of the financial year if applicable performance hurdles are met.

> SPRs are banked in notional share bank accounts kept for each participant – a separate notional share bank account is kept for each performance hurdle.

> If applicable performance hurdles are not met then a clawback of previously banked SPRs occurs via a deduction of SPRs from the participant's relevant bank account.

> After each year's banking (which may be positive or negative) 40% of any positive balance of SPRs in a participant's relevant bank account vest and are converted to fully paid AGL shares at no cost to the participant. Any remaining positive balance of SPRs in the participant's bank accounts is

carried forward to the following year and may vest or be clawed back in future years.

> If the balance of a participant's bank account is negative, this negative balance rolls forward to the following year.

> If a participant ceases employment before the expiry of the vesting period as a result of total and permanent disablement, redundancy, retirement, death or any other exceptional circumstances determined by the Board from time to time, any positive balance of SPRs in a participant's bank account will vest or any negative balance is eliminated.

> If a participant ceases employment before the expiry of the vesting period in other circumstances, any positive balance is forfeited or any negative balance is eliminated.

> The Board has no discretion to waive performance hurdles for the vesting of SPRs in the LTIP.

How LTI performance hurdles are set and performance is measured

The hurdles used to determine whether SPRs are banked are selected on the basis that rewards correspond with returns that shareholders receive.

LTI is measured according to two hurdles: annual Total Shareholder Return (TSR) and annual growth in EBIT/Funds Employed (ie EBIT divided by Funds Employed) calculated as set out below.

> TSR takes into account dividends, changes in share price and capital returns.

> EBIT/Funds Employed measures the return AGL is getting from its funds invested. EBIT is calculated before the impact of significant items and any contribution from Upstream Gas. Funds Employed are defined as Average Total Funds Employed, calculated on a monthly basis, adjusted to remove the impact of:

a) Derivatives balances (these balances are fair value adjustments and do not represent Funds Employed in the production of EBIT).

b) Tax balances (Funds Employed are pre-tax balances to make the calculation consistent with EBIT).

c) Funds Employed associated with Upstream Gas assets (currently these assets are intended for long term value creation through proving up gas reserves). This adjustment will continue to be made until such time as the investments have matured to the point where EBIT is the most appropriate performance measure.

d) Growth capex in excess of $50 million until the completion date of the project. (Removing these assets until they commence EBIT production provides the correct driver for investing in the future).

AGL has chosen these hurdles because, in conjunction with the clawback mechanism:

> TSR rewards consistent performance in the generation of sustained shareholder value over the long term. It aligns the interests of shareholders and Executives with the achievement of AGL's strategic goals;

> EBIT/Funds Employed encourages the efficient use of capital in a capital intensive industry. This hurdle correctly focuses Executives on improving AGL's Return on Funds Employed. AGL has a consistent accounting policy which controls adjustments to EBIT, whereby we do not permit significant EBIT items (or indeed adjustments in carrying values) to influence the outcome of this calculation.

The calculation process is as follows:

1. At the commencement of the financial year, each participant receives an initial notional grant of the number of SPRs determined by multiplying their total fixed remuneration (TFR) by their long-term incentive opportunity (which is expressed as a percentage of TFR), and dividing the resulting number by the Volume Weighted Average Price at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year (see example below). Fractional entitlements are rounded up.

Example: Calculation of financial year 2013 (FY2013) notional grant of Share Performance Rights:

Total fixed remuneration (TFR) **x** LTI opportunity (as a % of TFR)

$15.03
(Volume Weighted Average Price at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June 2012)

2. That notional grant is then split 50/50 between each performance hurdle - that is, half of the SPRs in the total notional grant are allocated to be tested against the TSR hurdle and the other half are allocated to be tested against the EBIT/Funds Employed hurdle, at the end of the financial year.

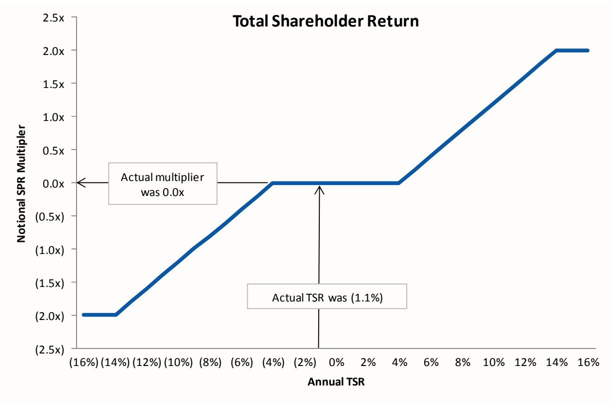
3. The final number of SPRs to be banked in each relevant bank account is then determined according to AGL's performance against the relevant hurdle as follows:

Hurdle 1: Annual TSR

Annual TSR	Number of SPRs banked for this hurdle
Equal to or greater than 14%	2 times SPRs notionally granted
Greater than 4% and less than 14%	Progressive on a straight-line basis from zero to 2 times SPRs notionally granted
Between 4% and minus 4%	Zero SPRs notionally granted

Less than minus 4% and greater than minus 14%	Progressive deduction on a straight-line basis from zero to minus 2 times SPRs notionally granted
Equal to or less than minus 14%	Minus 2 times SPRs notionally granted

The above table is presented in the chart below using actual FY2013 outcomes as an example.



The hurdle detailed in the above table and chart, materially reward management only when shareholders receive superior TSR. Conversely, management is either not rewarded, or is financially penalised, when TSR is insufficient or negative.

Management receives no reward until TSR reaches 4% (a reasonable dividend yield). Immaterial rewards commence at this point and progressively grow until a cap is reached at 14% TSR. If the cap is triggered, the following year's opening share price is set at a level that would have achieved a TSR of 14%.

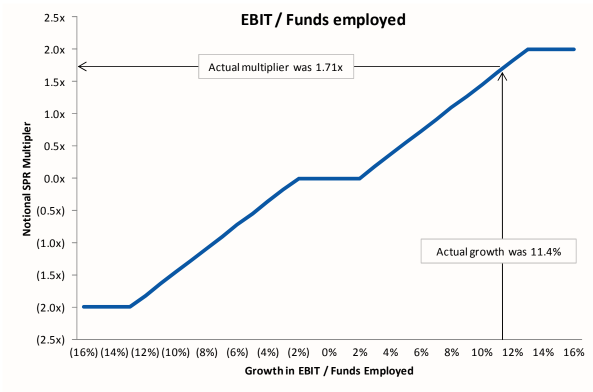
The financial penalty for management commences when TSR is less than minus 4%. Similar to the upside potential, there is a floor on the financial penalty at minus 14%. If the floor is triggered, the following year's opening share price is set at a level that would have achieved a TSR of minus 14%.

This cap and floor mechanism assists in controlling excessive reward or penalty to management, in any given year, where the significant increase or significant decrease in TSR was only temporary.

Hurdle 2: Annual growth in EBIT/Funds Employed

Annual growth in EBIT/ Funds Employed	Number of SPRs banked for this hurdle
Equal to or greater than 13%	2 times SPRs notionally granted
Greater than 2% and less than 13%	Progressive on a straight-line basis from zero to 2 times SPRs notionally granted
Between 2% and minus 4%	Zero SPRs notionally granted
Less than minus 4% and greater than minus 15%	Progressive on a straight-line basis from zero to minus 2 times SPRs notionally granted
Equal to or less than minus 15%	Minus 2 times SPRs notionally granted

The above table is presented in the chart below using actual FY2013 outcomes as an example.



The hurdle detailed in the above table and chart reward management when EBIT/Funds Employed grows. Conversely, management is either not rewarded, or is financially penalised, when growth in EBIT/Funds employed is insufficient or negative.

The hurdle also recognises that the industry structure is such that, all things being equal, additional working capital is required every year because AGL must pay increased network charges monthly but cannot recoup these increased charges for up to three months. This structure is beyond management's control and that is why rewards commence when growth reaches 2% but the financial penalty does not commence until there is a 4% deterioration in EBIT/Funds Employed.

As with TSR, there is the same cap and floor mechanism for EBIT/Funds Employed that assists in controlling excessive reward or penalty to management, in any given year, where the significant increase or significant decrease in EBIT/Funds Employed was only temporary. The cap and floor have been set at different rates to reflect the working capital issue highlighted above.

Note: SPRs banked under the LTIP can be both positive and negative. SPRs can only vest if there is a pre-determined improvement on the previous year. Importantly however, if performance falls below a pre-determined level in any year, previously banked SPRs will be clawed back to the extent calculated under the performance hurdles.

This feature provides the opportunity to assess performance over multiple years and therefore supports the intent of the LTIP to align shareholder and Executive interests over the long term.

4. After testing any notionally granted SPRs against the relevant performance hurdle the SPRs are deposited into (or deducted from) the relevant share bank account for each participant. At the end of every financial year 40% of any positive bank account balance is distributed to participants as AGL shares. The balance (if any) of each bank account is carried forward and may vest or be clawed back in future years. Any negative balance is also carried forward.

The below example shows how the LTIP worked in July 2013 for the CEO (using actual figures):

Calculation of SPR award to CEO Michael Fraser

Total Fixed Remuneration	$2,163,000
Notional LTI allocation (100% of TFR)	$2,163,000
VWAP of share price to 30 June 2012 to calculate notional grant of SPRs	$15.03
Number of SPRs notionally granted	143,913

2013 TSR metric outcome calculation

Opening VWAP share price - 30/6/2012	$15.03
Closing VWAP share price - 30/06/2013	$14.25
Dividends paid in 2013	$0.62
TSR for 2013 ((14.25+0.62)/15.03)-1x100	minus 1.1%
Award multiplier - based on TSR outcome between 4% and minus 4%	0.0

Hurdle 1: Annual TSR for FY2013

A	Michael Fraser SPRs notionally granted for this hurdle (50% of 143,913)	71,957
	TSR outcome	Minus 1.1%
B	Award multiplier	0.0
C	Opening SPR bank balance (carried forward from the 2011/2012 financial year)	108,687
D	Incentive (A x B)	0
E	Available (C + D)	108,687
F	Annual distribution at 40% (E x 40%)	43,475
G	Closing bank balance of SPRs (E - F)	65,212

2013 EBIT/Funds Employed metric outcome calculation

EBIT/Funds employed - 30/6/2012	11.61%
EBIT/Funds employed - 30/6/2013	12.93%
Annual change in EBIT/Funds employed for 2013 ((12.93-11.61)/11.61)x100	11.4%
Award multiplier - based on EBIT / Funds Employed outcome above 2%	1.71

Hurdle 2: Annual growth in EBIT/Funds Employed for FY2013

A	Michael Fraser SPRs notionally granted for this hurdle (50% of 143,913)	71,956
	EBIT/Funds Employed outcome	11.4%
B	Award multiplier	1.71
C	Opening SPR bank balance (carried forward from the 2011/2012 financial year)	60,707
D	Incentive (A x B)	123,045
E	Available (C + D)	183,752
F	Annual distribution at 40% (E x 40%)	73,501
G	Closing bank balance of SPRs (E - F)	110,251

Old LTI plan

AGL had an “old” LTI scheme which ceased to operate in September 2012.

A balance of 4,019 SPRs remained in the plan following initial testing of the plan, against its performance hurdle, in September 2011. The balance of SPRs were tested in accordance with the plan rules in 2012 and 3,564 SPRs vested with the remainder lapsing. The plan ceased to operate entirely from September 2012.

The old LTI plan used relative TSR as the performance hurdle.

> Vesting was based on measurement of the performance hurdle, initially three years from the date of issue, or (to the extent that full vesting did not occur at that point) four years from the date of issue.

> Any SPRs that did not vest, after year four, automatically lapsed.

> The performance hurdle was relative TSR measured against a comparator group of the ASX100 companies as at 1 October 2008.

> The number of SPRs that vested was determined as follows:

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

Vesting of SPRs commenced at the 40th percentile because independent analysis showed that the probability of vesting at the 50th percentile was quite low and in fact AGL had the lowest price volatility of ASX100 companies who used relative TSR as a performance hurdle. This low probability and higher risk presented limited incentive and retention benefit to Executives reducing the effectiveness of the LTI as a genuine performance incentive.

Relative TSR performance was assessed by an independent third party provider for accuracy and independence of calculation.

CEO LTI allocation: 2012 - 2014

AGL obtained shareholder approval in 2011 to issue an LTI allocation to Mr Fraser with a face value equivalent of up to a maximum of 100% of his TFR (total fixed remuneration) in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

4. Remuneration mix

STI and LTI are together known as the 'variable' or 'at risk' element of an Executive's remuneration. This increases with the level of responsibility and/or criticality of the role.
The balance between fixed and variable remuneration is regularly reviewed for market relativity and competitiveness.

In respect of the 2012/13 financial year, the maximum remuneration mix within the Executive roles in AGL was as follows:

Maximum percentage of total target remuneration

	TFR	STI	LTI[1]
Chief Executive Officer	33.3%	33.3%	33.3%
Group General Managers and CFO	47% to 53%	26% to 29%	21% to 24%
Other Executives	55% to 65%	20% to 30%	5% to 20%

Note: [1] this percentage may increase over time for sustained outperformance against specified hurdles over a number of years (due to the impact of the LTI multiplier).

5. Key Management Personnel

AGL's key management personnel are responsible for planning, directing and controlling AGL's activities.

Key Management Personnel (KMP) are the people who have authority and responsibility for planning, directing and controlling the activities of AGL. They are:

- the Managing Director, who is the Chief Executive Officer
- the Executives
- the non-executive Directors of the Board.

AGL's KMP during the financial year are listed below. Unless otherwise indicated, they were KMP for the entire period.

Name	Position	Tenure (if not full year)
Directors		
Jeremy Maycock	Chairman	
Les Hosking	Non-executive Director	
Graeme Hunt	Non-executive Director	Appointed 1 September 2012
Belinda Hutchinson	Non-executive Director	
Sandra McPhee	Non-executive Director	
Max Ould	Non-executive Director	Retired 23 October 2012
Bruce Phillips	Non-executive Director	
John Stanhope	Non-executive Director	
Managing Director and Chief Executive Officer		
Michael Fraser	Managing Director and Chief Executive Officer	
Executives		
Anthony Fowler	Group General Manager Merchant Energy	
Ken Hodgson	Group General Manager Retail Energy	Retired 14 February 2013
Stephen Mikkelsen	Chief Financial Officer	Ceased 13 November 2012
Stephen Mikkelsen	Group General Manager Retail Energy	Appointed 2 January 2013
Michael Moraza	Group General Manager Upstream Gas	
Brett Redman	Chief Financial Officer	Appointed 14 November 2012

6. Remuneration disclosures: KMP

Details of the KMPs' remuneration for the financial year are set out below.

Remuneration of Key Management Personnel for year ended 30 June 2013 (Senior Executives)

	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share Based Payments			
Executives	Cash Salary & Fees $	Short-Term Incentives (a) $	Non-Monetary Benefits (b) $	Other Short-Term Benefits $	Super-annuation $	Retire-ment Benefits $	$	$	Share Performance Rights (c) $	Other (d) $	Total $	Value of Equity as a % of Total
Anthony Fowler	745,267	408,000	0	0	26,250 [e]	0	0	0	413,196	0	1,592,713	25.9%
Michael Fraser	1,672,311	1,297,800	53,494	0	476,855	0	0	0	2,311,821	0	5,812,281	39.8%
Ken Hodgson[f]	503,395	281,250	0	0	12,584 [e]	0	0	0	76,356	0	873,585	8.7%
Stephen Mikkelsen	837,616	396,000	0	0	16,470	0	0	0	460,033	0	1,710,119	26.9%
Michael Moraza	591,738	121,680	7,476	0	120,213	0	0	0	359,656	0	1,200,763	30.0%
Brett Redman	550,218	276,250	0	0	16,470	0	0	0	113,859	0	956,797	11.9%
Total	4,900,545	2,780,980	60,970	0	668,842	0	0	0	3,734,921	0	12,146,258	

(a) Earned in respect of 2012/2013 financial year and paid in September 2013.
(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.
(c) The fair value of LTI SPRs has been calculated using the Black-Scholes and Monte Carlo simulation methods.
(d) Value of shares acquired under the AGL Share Purchase Plan and other deferred share based payments.
(e) Includes salary sacrifice contributions.
(f) Retired in February 2013.
All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

In addition to the above statutory disclosures required for remuneration, AGL provides the below table detailing the actual amounts received by Key Management Personnel for the year ended 30 June 2013.

Remuneration actually earned by Key Management Personnel for year ended 30 June 2013

Executives	Fixed Annual Remuneration (a) $	Short-Term Incentives (b) $	Share Performance Rights (c) $	Total $
Anthony Fowler	771,517	408,000	261,400	1,440,917
Michael Fraser	2,202,660	1,297,800	1,768,244	5,268,704
Ken Hodgson[d]	515,979	281,250	726,149	1,523,378
Stephen Mikkelsen	854,086	396,000	308,623	1,558,709
Michael Moraza	719,427	121,680	265,533	1,106,640
Brett Redman	566,688	276,250	77,754	920,692
Total	5,630,357	2,780,980	3,407,703	11,819,040

(a) Fixed annual remuneration is the sum of cash salary, non-monetary benefits and superannuation as set out in the Remuneration of Key Management Personnel table.
(b) Earned in respect of 2012/2013 financial year and paid in September 2013.
(c) The value of SPRs is calculated based on the number of SPRs that vested during the year and the closing share price on the vesting date.
(d) Retired in February 2013.

Remuneration of Key Management Personnel for year ended 30 June 2012 (Senior Executives)

	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share Based Payments			
Executives	Cash Salary & Fees $	Short-Term Incentives (a) $	Non-Monetary Benefits (b) $	Other Short-Term Benefits $	Super-annuation $	Retire-ment Benefits $	$	$	Share Performance Rights (c) $	Other (d) $	Total $	Value of Equity as a % of Total
Anthony Fowler	646,712	441,000	8,713	0	38,755 [e]	0	0	0	344,746	0	1,479,926	23.3%
Michael Fraser	1,609,417	1,976,000	34,339	0	457,250	0	0	0	2,209,095	0	6,286,101	35.1%
Ken Hodgson	687,485	475,200	0	0	29,515 [e]	0	0	0	359,582	0	1,551,782	23.2%
Paul McWilliams	497,016	256,500	24,142	0	48,775 [e]	0	0	0	170,427	256,500	1,253,360	34.1%
Stephen Mikkelsen	754,225	468,000	0	0	15,775	0	0	0	400,964	0	1,638,964	24.5%
Michael Moraza	565,308	292,500	0	0	98,727	0	0	0	333,699	0	1,290,234	25.9%
Total	4,760,163	3,909,200	67,194	0	688,798	0	0	0	3,818,513	256,500	13,500,368	

(a) Earned in respect of 2011/2012 financial year and paid in September 2012.
(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.
(c) The fair value of LTI SPRs has been calculated using the Black-Scholes and Monte Carlo simulation methods.
(d) Value of shares acquired under the AGL Share Purchase Plan and other deferred share based payments.
(e) Includes salary sacrifice contributions.
All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for year ended 30 June 2013 (non-executive directors)

	Short-Term Benefits	Post-Employment Benefits	Share Based Payments			
Non-executive Directors	Cash Salary & Fees $	Superannuation $	Share Performance Rights $	Other Share Plans (b) $	Total (a) $	Value of Equity as a percentage of Total
Jeremy Maycock	451,029	16,470	0	5,000	472,499	1.1%
Les Hosking	199,279	16,470	0	0	215,749	0.0%
Graeme Hunt(c)	156,941	13,725	0	0	170,666	0.0%
Belinda Hutchinson	202,294	16,470	0	0	218,764	0.0%
Sandra McPhee	207,295	16,470	0	0	223,765	0.0%
Max Ould(d)	60,676	4,867	0	0	65,543	0.0%
Bruce Phillips	161,524	13,725	0	0	175,249	0.0%
John Stanhope	218,779	16,470	0	0	235,249	0.0%
Total	1,657,817	114,667	0	5,000	1,777,484	

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.
(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.
(c) Commenced as an AGL Director in September 2012.
(d) Ceased as an AGL Director in October 2012.

Remuneration of Key Management Personnel for year ended 30 June 2012 (non-executive directors)

	Short-Term Benefits	Post-Employment Benefits	Share Based Payments			
Non-executive Directors	Cash Salary & Fees $	Superannuation $	Share Performance Rights $	Other Share Plans (b) $	Total (a) $	Value of Equity as a percentage of Total
Jeremy Maycock	381,225	33,775 (c)	0	5,000	420,000	1.2%
Les Hosking	187,475	15,775	0	0	203,250	0.0%
Belinda Hutchinson	187,475	15,775	0	0	203,250	0.0%
Sandra McPhee	202,202	15,775	0	0	217,977	0.0%
Max Ould	179,475	15,775	0	0	195,250	0.0%
Bruce Phillips	187,475	15,775	0	0	203,250	0.0%
John Stanhope	199,960	15,775	0	0	215,735	0.0%
Total	1,525,287	128,425	0	5,000	1,658,712	

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.
(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.
(c) Includes salary sacrifice contributions.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2013

	Balance at 1 July 2012	SPRs Deposited (deducted) during the year (a)	SPRs notionally granted during the year	Fair value per SPR at grant date (b)	SPRs vested during the year (c)	SPRs forfeited during the year	Balance at 30 June 2013
Michael Fraser							
TSR share bank account	31,132	150,012	-	Various	(72,457)	-	108,687
EBIT/Funds Employed share bank account	(23,831)	125,010	-	Various	(40,472)	-	60,707
Notional grant 27-Aug-12	-	-	143,913	$13.89	-	-	143,913
Notional grant 22-Jun-12	151,528	(151,528)	-	$14.53	-	-	-
Old LTIP grant 27-Oct-08	2,232	-	-	$10.30	(1,986)	(246)	-
	161,061	123,494	143,913		(114,915)	(246)	313,307
Anthony Fowler							
TSR share bank account	663	25,242	-	Various	(10,362)	-	15,543
EBIT/Funds Employed share bank account	(4,719)	21,036	-	Various	(6,527)	-	9,790
Notional grant 27-Aug-12	-	-	26,614	$13.89	-	-	26,614
Notional grant 22-Jun-12	25,497	(25,497)	-	$14.53	-	-	-
Old LTIP grant 27-Oct-08	109	-	-	$10.30	(97)	(12)	-
	21,550	20,781	26,614		(16,986)	(12)	51,947
Ken Hodgson							
TSR share bank account	3,473	25,964	-	Various	(29,437)	-	-
EBIT/Funds Employed share bank account	(5,386)	21,636	-	Various	(16,250)	-	-
Notional grant 27-Aug-12	-	-	24,951	$13.89	-	(24,951)	-
Notional grant 22-Jun-12	26,226	(26,226)	-	$14.53	-	-	-
	24,313	21,374	24,951		(45,687)	(24,951)	-
Stephen Mikkelsen							
TSR share bank account	3,494	28,127	-	Various	(12,648)	-	18,973
EBIT/Funds Employed share bank account	(5,566)	23,440	-	Various	(7,150)	-	10,724
Notional grant 27-Aug-12	-	-	29,275	$13.89	-	-	29,275
Notional grant 22-Jun-12	28,411	(28,411)	-	$14.53	-	-	-
Old LTIP grant 27-Oct-08	290	-	-	$10.30	(258)	(32)	-
	26,629	23,156	29,275		(20,056)	(32)	58,972
Michael Moraza							
TSR share bank account	3,871	23,440	-	Various	(10,924)	-	16,387
EBIT/Funds Employed share bank account	(4,058)	19,533	-	Various	(6,190)	-	9,285
Notional grant 27-Aug-12	-	-	22,489	$13.89	-	-	22,489
Notional grant 22-Jun-12	23,677	(23,677)	-	$14.53	-	-	-
Old LTIP grant 27-Oct-08	159	-	-	$10.30	(141)	(15)	3
	23,649	19,296	22,489		(17,255)	(15)	48,164
Brett Redman							
TSR share bank account	589	7,429	-	Various	(3,207)	-	4,811
EBIT/Funds Employed share bank account	(1,777)	6,191	-	Various	(1,766)	-	2,648
Notional grant 27-Aug-12	-	-	7,196	$13.89	-	-	7,196
Notional grant 22-Jun-12	7,504	(7,504)	-	$14.53	-	-	-
Old LTIP grant 27-Oct-08	90	-	-	$10.30	(80)	(10)	-
	6,406	6,116	7,196		(5,053)	(10)	14,655

(a) After testing the SPRs notionally granted on 22 June 2012 against the relevant performance hurdle, the SPRs are deposited into (or deducted from) the relevant share bank account for each participant.

(b) Fair value of SPRs granted is determined using the Black-Scholes, Binomial and Monte Carlo Simulation methods.

(c) SPRs vest at no cost to the recipient providing the relevant performance hurdles are satisfied.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2012

	Balance at 1 July 2011	SPRs Deposited (deducted) during the year (a)	SPRs notionally granted during the year	SPRs adjustments granted during the year (b)	Fair value per SPR at grant date (c)	SPRs vested during the year (d)	SPRs forfeited during the year	Balance at 30 June 2012
Michael Fraser								
TSR share bank account	50,051	-	-	1,101	Various	(20,020)	-	31,132
EBIT/Funds Employed share bank account	18,164	(41,152)	-	(843)	Various	-	-	(23,831)
Notional grant 22-Jun-12	-	-	146,171	5,357	$14.53	-	-	151,528
Notional grant 20-Jun-11	137,175	(137,175)	-	-	$7.08	-	-	-
Old LTIP grant 27-Oct-08	107,639	-	-	79	$10.30	(105,486)	-	2,232
	313,029	(178,327)	146,171	5,694		(125,506)	-	161,061
Anthony Fowler								
TSR share bank account	1,066	-	-	23	Various	(426)	-	663
EBIT/Funds Employed share bank account	386	(4,938)	-	(167)	Various	-	-	(4,719)
Notional grant 22-Jun-12	-	-	24,596	901	$14.53	-	-	25,497
Notional grant 20-Jun-11	16,461	(16,461)	-	-	$7.08	-	-	-
Old LTIP grant 27-Oct-08	5,209	-	-	4	$10.30	(5,104)	-	109
	23,122	(21,399)	24,596	761		(5,530)	-	21,550
Ken Hodgson								
TSR share bank account	5,584	-	-	123	Various	(2,234)	-	3,473
EBIT/Funds Employed share bank account	2,026	(7,222)	-	(190)	Various	-	-	(5,386)
Notional grant 22-Jun-12	-	-	25,299	927	$14.53	-	-	26,226
Notional grant 20-Jun-11	24,075	(24,075)	-	-	$7.08	-	-	-
	31,685	(31,297)	25,299	860		(2,234)	-	24,313
Paul McWilliams								
TSR share bank account	1,256	-	-	28	Various	(502)	-	782
EBIT/Funds Employed share bank account	456	(2,263)	-	(66)	Various	-	-	(1,873)
Notional grant 22-Jun-12	-	-	12,017	440	$14.53	-	-	12,457
Notional grant 20-Jun-11	7,545	(7,545)	-	-	$7.08	-	-	-
Old LTIP grant 27-Oct-08	3,132	-	-	2	$10.30	(3,069)	-	65
	12,389	(9,808)	12,017	404		(3,571)	-	11,431
Stephen Mikkelsen								
TSR share bank account	5,617	-	-	124	Various	(2,247)	-	3,494
EBIT/Funds Employed share bank account	2,038	(7,407)	-	(197)	Various	-	-	(5,566)
Notional grant 22-Jun-12	-	-	27,407	1,004	$14.53	-	-	28,411
Notional grant 20-Jun-11	24,692	(24,692)	-	-	$7.08	-	-	-
Old LTIP grant 27-Oct-08	14,000	-	-	10	$10.30	(13,720)	-	290
	46,347	(32,099)	27,407	941		(15,967)	-	26,629
Michael Moraza								
TSR share bank account	6,223	-	-	137	Various	(2,489)	-	3,871
EBIT/Funds Employed share bank account	2,258	(6,173)	-	(143)	Various	-	-	(4,058)
Notional grant 22-Jun-12	-	-	22,840	837	$14.53	-	-	23,677
Notional grant 20-Jun-11	20,577	(20,577)	-	-	$7.08	-	-	-
Old LTIP grant 27-Oct-08	7,639	-	-	6	$10.30	(7,486)	-	159
	36,697	(26,750)	22,840	837		(9,975)	-	23,649

(a) After testing the SPRs notionally granted on 20 June 2011 against the relevant performance hurdle, the SPRs are deposited into (or deducted from) the relevant share bank account for each participant.

(b) Adjustment grants made to adjust for dilution to the number of SPRs notionally granted on 22 June 2012 and to unvested SPRs for prior years as a result of the rights issue allotment in June 2012.

(c) Fair value of SPRs granted is determined using the Black-Scholes and Monte Carlo Simulation methods.

(d) SPRs vest at no cost to the recipient providing the relevant performance hurdles are satisfied.

7. Terms of Executive contracts

Executives' contracts specify their remuneration entitlements, benefits and awards.

All Executives have 'Service Agreements', or employment contracts, which specify the components of remuneration to which they are entitled. The Service Agreements provide for participation in the short and long-term incentives in accordance with the terms of their respective plans. The Board can vary the terms of these plans, although such variations cannot be applied retrospectively.

Details of contract duration, notice period for termination, and termination payments for Executives are provided in the table below.

Executive	Position	Contract duration	Termination notice period by AGL	Termination notice period by employee	Termination payments
Anthony Fowler	Group General Manager, Merchant Energy	No fixed term	3 months	6 months	9 months TFR
Stephen Mikkelsen	Group General Manager, Retail Energy	No fixed term	3 months (a)	6 months	9 months TFR
Michael Moraza	Group General Manager, Upstream Gas	No fixed term	3 months	6 months	9 months TFR
Brett Redman	Chief Financial Officer	No fixed term	3 months	6 months	9 months TFR

(a) AGL will provide 6 months notice in circumstances of unsatisfactory performance.

The CEO

Details of Mr Fraser's appointment and the terms of his Service Agreement are set out below.

Terms of appointment

Mr Fraser was appointed Managing Director and CEO of AGL on 22 October 2007. His Service Agreement is open ended, with his appointment as Managing Director and CEO continuing until it is terminated.

Termination conditions

AGL may terminate Mr Fraser's appointment:

> by giving him 12 months' notice in writing at any time

or

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

Mr Fraser may terminate his appointment:

> by giving AGL 12 months' notice in writing at any time

or

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

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

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

> if he is terminated as a result of unsatisfactory performance, a pro rata STI based on 50% of his STI opportunity (however Mr Fraser has advised AGL that he will not assert his entitlement to any payment of a short-term incentive if his employment is terminated in this circumstance);

> if he is terminated as a result of redundancy or total or permanent disablement, a pro rata STI based on 100% of his STI opportunity.

If Mr Fraser terminates his employment with AGL due to retirement or a Fundamental Change, a pro rata STI payment will be made based on 100% of his STI opportunity.

The circumstances in which the positive balances of SPRs banked to Mr Fraser's notional SPR bank accounts under the LTIP will vest, are as follows:

a) death;

b) total and permanent disablement;

c) termination of his employment by AGL without cause (either with or without notice) (however Mr Fraser has advised AGL that he will not assert his entitlement for any unvested SPRs to vest if his employment terminates in this circumstance);

d) termination of his employment with AGL by Mr Fraser giving three months' notice after the occurrence of a fundamental change (on the basis provided for in Mr Fraser's employment contract);

e) redundancy;

f) retirement; or

g) cessation of his employment with AGL in such other circumstances as the Board in its absolute discretion may determine.

All banked SPRs under the LTIP will lapse if Mr Fraser ceases employment with AGL for any other reason.

Long Service Leave / Annual Leave

On cessation of employment Mr Fraser is entitled to payment for:

> any unused annual leave entitlements;

> any unused long service leave entitlements calculated in accordance with the following formula:

up to 20 years employment, long service leave is calculated at 0.8666 weeks per year of service;

from 20 years employment, long service leave is calculated at 1.3 weeks per year of service.

Remuneration

Mr. Fraser's remuneration consists of the components set out below.

Total Fixed Remuneration

Mr. Fraser's TFR, effective 1 September 2013, is $2,163,000 a year.

During each year of the term of his appointment, the Board commissions an independent review of his TFR for the following year and decides whether to increase it, taking into account such matters as external market relativities. The details of the market remuneration information considered is described in section 2 of this report.

Under no circumstances can Mr Fraser's TFR be reduced without his written consent.

Short-Term Incentive

Mr. Fraser is eligible to receive a maximum STI payment for the year ending 30 June 2014 of $2,163,000.

Any STI will be determined in accordance with the STI Plan rules and is subject to the satisfactory completion by Mr. Fraser of his performance objectives which relate to financial, customer, people management and strategic growth and innovation objectives.

For year ending 30 June 2013, one half of any STI will be paid in cash in September 2013, with payment of the balance deferred for 12 months. Mr Fraser has advised AGL that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will be subject to clawback.

Any deferred STI component is payable in the following circumstances:

a) death;

b) total and permanent disablement;

c) termination of his employment by AGL without cause (either with or without notice);

d) termination of his employment with AGL by Mr Fraser giving three months' notice after the occurrence of a fundamental change (on the basis provided for in Mr Fraser's employment contract);

e) redundancy;

f) retirement; or

g) cessation of his employment with AGL in such other circumstances as the Board in its absolute discretion may determine.

Otherwise the deferred STI component is forfeited.

Long-Term Incentive

AGL has obtained shareholder approval to issue the maximum number of Share Performance Rights available to Mr. Fraser in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

The CEO's LTI allocation was 100% of his TFR in accordance with contractual rights within the shareholder approved maximum allocation number of Share Performance Rights.

The Share Performance Rights granted to Mr. Fraser under the LTI Plan will vest, subject to meeting the associated performance hurdles, at no cost to Mr. Fraser.

Restraint

Mr Fraser must not, for a period of six months following termination of his appointment:

> be engaged or concerned in any capacity whatsoever, in any business which is similar to, or competitive with, AGL's business;

> solicit or entice, or attempt to solicit or entice, any Director, employee or client of AGL to leave AGL; or

> attempt to persuade any Director, employee or client of AGL with whom Mr Fraser had dealings with in the year preceding the termination of his appointment to discontinue their relationship with AGL or reduce the amount of business they do with AGL.

8. Non-executive Directors

Non-executive Directors do not receive performance-related payments.

Non-executive Directors receive a base fee. In addition, in recognition of the higher workloads and extra responsibilities of participating in a Board Committee, if applicable they also receive a Committee fee. Chairing a Committee attracts a higher fee rate, but the Chairman of the Board receives no extra remuneration for participating in or chairing Committees.

The maximum aggregate remuneration payable to non-executive Directors is $2.5 million a year or such other amount as approved at a general meeting of shareholders.

Non-executive Directors' fees are determined by the Board based on advice from independent remuneration advisers, which includes market comparison of remuneration paid to non-executive Directors in a comparator group of similar sized companies as well as the ASX100.

Any changes to non-executive Directors' fees take effect from 1 January in the following year.

The market peer group used as a comparator group for the non-executive Directors is made up of companies who have a market capitalisation ranging from 20 companies below, to 20 companies above, the market capitalisation of AGL.

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

The Board resolved that there would be no increase in non-executive Directors' fees for the 2013/14 financial year.

The fee structure for non-executive Directors, effective 1 January 2013, is as follows:

	Base Fee $	Audit and Risk Management Committee Fees $	Other Committee Fees $
Chairman of Board	505,000	-	-
Chairman of Committee	175,000	48,000	35,000
Director	175,000	24,000	17,000

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

> **Directed superannuation contributions.** Subject to minimum contributions as required under SGC legislation, and maximum tax deductible contributions under the Income Tax Assessment Act, non-executive Directors may direct that some or all of their fees be paid as contributions to a complying superannuation fund of their choice.

> **AGL shares acquired under the AGL Share Purchase Plan.** The Plan Trustee acquires AGL shares on-market at market price during permitted trading periods. Details of the trading periods are included in the AGL Securities Dealing Policy which is available on AGL's website.

> **Cash.** The balance of fee entitlements is paid in cash to the non-executive Directors in equal monthly amounts over the year.

Non-executive Directors are permitted to vary the components of their fee entitlements at any time. No options have been granted to non-executive Directors over any securities or interests of AGL or the consolidated entity.

The Board conducted an externally facilitated review of its own performance, the performance of individual Directors, and the performance of the Board Committees during the last year.

9. Five year financial performance

The following table shows AGL's annual performance over the last five years.

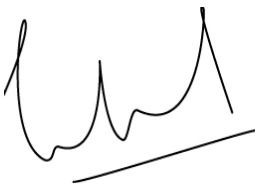
Year ended 30 June	2009	2010	2011	2012	2013
Statutory Profit ($m)	1,596.1	356.1	558.7	114.9	388.7
Statutory EPS in cents[1]	346.6	76.8	118.5	23.8	70.7
Underlying Profit ($m)	378.8	428.9	431.1	482.0	598.3
Underlying EPS in cents[1]	82.3	92.5	91.4	100.0	108.8
Dividends in cents	54.0	59.0	60.0	61.0	63.0
Increase/(decrease) in share price(%)[1]	(5.9)	9.3	(0.3)	4.2	(2.0)
EBIT / Funds Employed (%)	9.7	9.4	8.9	9.2	10.6
Adjusted EBIT / Funds Employed (%)[2]	10.8	11.3	10.5	11.6	12.9
TSR(%)[2 & 3]	1.9	10.2	1.6	13.9	(1.1)

Notes:

1. FY2009, 2010 and 2011 restated for the bonus element of the one-for-six share rights issue completed in June 2012.
2. Used since FY2010 to calculate executives' long term incentives.
3. Based on June VWAP in each financial year.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 28th day of August 2013.



Jeremy Maycock
Chairman

AGL Financial Report 2013

AGL Energy Limited
ABN 74 115 061 375

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AGL Energy Limited and Subsidiaries
Consolidated Statement of Profit or Loss
For the year ended 30 June 2013

	Note	2013 $m	2012 $m
Continuing operations			
Revenue	5	**9,715.7**	7,455.6
Other income	6	**-**	2.9
Expenses	7	**(8,787.7)**	(7,100.0)
Share of profits of associates and jointly controlled entities accounted for using the equity method	19	**26.3**	16.8
Profit before net financing costs, depreciation and amortisation		**954.3**	375.3
Depreciation and amortisation	9	**(287.1)**	(173.9)
Profit before net financing costs		**667.2**	201.4
Finance income		**41.5**	45.4
Finance costs		**(244.7)**	(83.9)
Net financing costs	8	**(203.2)**	(38.5)
Profit before tax		**464.0**	162.9
Income tax expense	10	**(75.3)**	(48.0)
Profit for the year attributable to owners of AGL Energy Limited		**388.7**	114.9
Earnings per share			
Basic earnings per share	38	**70.7 cents**	23.8 cents
Diluted earnings per share	38	**70.6 cents**	23.8 cents

The statement of profit or loss 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 2013

	Note	2013 $m	2012 $m
Profit for the year		**388.7**	114.9
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit plans	49	**78.8**	(70.0)
Share of other comprehensive income of associates	19	**-**	(18.2)
Income tax relating to items that will not be reclassified subsequently	10	**(23.6)**	21.0
		55.2	(67.2)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Gain in fair value of cash flow hedges	36	**40.2**	14.1
Reclassification adjustments transferred to profit or loss	36	**(82.8)**	115.9
Reclassification adjustments transferred to the initial carrying amounts of hedged items	36	**7.1**	40.3
Available-for-sale financial assets			
Loss on revaluation of available-for-sale financial assets	36	**(0.1)**	-
Share of other comprehensive income of associates	19	**-**	(38.4)
Reclassification adjustments of an associate transferred to profit or loss on acquisition of entity	36	**-**	36.3
Income tax relating to items that may be reclassified subsequently	10	**10.7**	(51.1)
		(24.9)	117.1
Other comprehensive income for the year, net of income tax		**30.3**	49.9
Total comprehensive income for the year attributable to owners of AGL Energy Limited		**419.0**	164.8

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

AGL Energy Limited and Subsidiaries
Consolidated Statement of Financial Position
As at 30 June 2013

	Note	2013 $m	2012 $m
Current assets			
Cash and cash equivalents	12	**281.0**	1,812.9
Trade and other receivables	13	**1,844.0**	1,531.4
Inventories	14	**133.0**	185.4
Other financial assets	15	**186.9**	295.6
Other assets	16	**391.1**	306.6
Total current assets		**2,836.0**	4,131.9
Non-current assets			
Trade and other receivables	17	**47.3**	-
Inventories	18	**29.2**	-
Investments accounted for using the equity method	19	**33.1**	31.6
Exploration and evaluation assets	20	**349.0**	654.0
Oil and gas assets	21	**495.1**	483.8
Property, plant and equipment	22	**5,331.6**	5,185.7
Intangible assets	23	**3,149.4**	3,172.0
Deferred tax assets	10	**729.2**	611.1
Other financial assets	24	**338.5**	431.6
Other assets	25	**27.4**	36.7
Total non-current assets		**10,529.8**	10,606.5
Total assets		**13,365.8**	14,738.4
Current liabilities			
Trade and other payables	26	**1,444.0**	1,158.4
Borrowings	27	**45.4**	616.0
Provisions	28	**115.0**	132.3
Current tax liabilities	10	**154.6**	11.0
Other financial liabilities	29	**432.0**	441.8
Other liabilities	30	**0.8**	250.3
Total current liabilities		**2,191.8**	2,609.8
Non-current liabilities			
Borrowings	31	**3,063.6**	3,696.0
Provisions	32	**249.7**	265.8
Deferred tax liabilities	10	**99.4**	349.0
Other financial liabilities	33	**264.3**	436.3
Other liabilities	34	**158.0**	248.6
Total non-current liabilities		**3,835.0**	4,995.7
Total liabilities		**6,026.8**	7,605.5
Net assets		**7,339.0**	7,132.9
Equity			
Issued capital	35	**5,353.6**	5,227.3
Reserves	36	**(1.9)**	22.0
Retained earnings	37	**1,987.3**	1,883.6
Total equity attributable to owners of AGL Energy Limited		**7,339.0**	7,132.9

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 2013

	Attributable to owners of AGL Energy Limited						
	Issued capital $m	**Investments revaluation reserve $m**	**Employee equity benefits reserve $m**	**Hedging reserve $m**	**Other reserve $m**	**Retained earnings $m**	**Total equity $m**
Balance at 1 July 2012	**5,227.3**	**-**	**2.6**	**19.4**	**-**	**1,883.6**	**7,132.9**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**388.7**	**388.7**
Other comprehensive income for the year, net of income tax	**-**	**(0.1)**	**-**	**(24.8)**	**-**	**55.2**	**30.3**
Total comprehensive income for the year	**-**	**(0.1)**	**-**	**(24.8)**	**-**	**443.9**	**419.0**
Transactions with owners in their capacity as owners:							
Issue of ordinary shares under AGL Dividend Reinvestment Plan	**126.3**	**-**	**-**	**-**	**-**	**-**	**126.3**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**(340.2)**	**(340.2)**
Share-based payments	**-**	**-**	**1.0**	**-**	**-**	**-**	**1.0**
Balance at 30 June 2013	**5,353.6**	**(0.1)**	**3.6**	**(5.4)**	**-**	**1,987.3**	**7,339.0**
Balance at 1 July 2011	4,244.6	-	0.6	(97.3)	(0.4)	2,194.0	6,341.5
Adjustment on correction of unbilled distribution liability, net of income tax (Note 3)	-	-	-	-	-	(79.9)	(79.9)
Restated total equity at 1 July	4,244.6	-	0.6	(97.3)	(0.4)	2,114.1	6,261.6
Profit for the year	-	-	-	-	-	114.9	114.9
Other comprehensive income for the year, net of income tax	-	-	-	116.7	0.4	(67.2)	49.9
Total comprehensive income for the year	-	-	-	116.7	0.4	47.7	164.8
Transactions with owners in their capacity as owners:							
Issue of ordinary shares under AGL Dividend Reinvestment Plan	92.4	-	-	-	-	-	92.4
Issue of ordinary shares issued under the institutional and retail rights offers	905.3	-	-	-	-	-	905.3
Share issue transaction costs	(21.5)	-	-	-	-	-	(21.5)
Payment of dividends	-	-	-	-	-	(278.2)	(278.2)
Share-based payments	-	-	2.0	-	-	-	2.0
Income tax relating to transactions with owners	6.5	-	-	-	-	-	6.5
Balance at 30 June 2012	5,227.3	-	2.6	19.4	-	1,883.6	7,132.9

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 2013

	Note	2013 $m	2012 $m
Cash flows from operating activities			
Receipts from customers		**11,296.8**	8,780.3
Payments to suppliers and employees		**(10,434.2)**	(8,061.7)
Dividends received		**24.5**	26.7
Finance income received		**42.8**	24.0
Finance costs paid		**(257.0)**	(122.0)
Income taxes paid		**(71.1)**	(180.8)
Net cash provided by operating activities	52(a)	**601.8**	466.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(480.3)**	(673.3)
Payments for exploration and evaluation assets		**(40.9)**	(38.3)
Payments for oil and gas assets		**(49.2)**	(48.8)
Payments for interest acquired in a jointly controlled entity		**-**	(1.6)
Payments for investment securities		**(0.1)**	(0.1)
Payments for intangible assets		**(43.5)**	(42.9)
Payments for businesses and subsidiaries, net of cash acquired			
acquisitions in current period	44	**-**	217.5
acquisitions in prior period	44	**(33.1)**	-
Proceeds from sale of property, plant and equipment		**1.2**	133.4
Proceeds from sale of exploration and evaluation assets		**3.0**	5.4
Proceeds from sale of oil and gas assets		**-**	4.5
Loans advanced to related parties		**(72.1)**	(87.5)
Proceeds from repayment of related party loans		**165.4**	0.4
Net cash used in investing activities		**(549.6)**	(531.3)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		**-**	883.8
Purchase of shares on-market for equity based remuneration		**(6.1)**	(4.4)
Proceeds from borrowings		**285.0**	1,730.0
Repayment of borrowings		**(1,543.9)**	(1,299.0)
Payments for settlement of derivative financial instruments		**(105.2)**	-
Dividends paid	11	**(213.9)**	(185.8)
Net cash (used in)/provided by financing activities		**(1,584.1)**	1,124.6
Net increase in cash and cash equivalents		**(1,531.9)**	1,059.8
Cash and cash equivalents at the beginning of the financial year		**1,812.9**	753.1
Cash and cash equivalents at the end of the financial year	52(c)	**281.0**	1,812.9

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 (the Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office is Level 22, 101 Miller Street North Sydney NSW 2060 Australia.

The consolidated financial statements comprise the Parent Entity and its subsidiaries (together referred to as the consolidated entity). For the purposes of preparing the consolidated financial statements, the Parent Entity is a for-profit entity.

The principal activities of the consolidated entity are described in Note 4.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors on 28 August 2013.

(b) Basis of preparation

The consolidated financial statements have 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. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 statements are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

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

(c) Significant accounting judgements, estimates and assumptions

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about 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. Refer to Note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

(d) Adoption of new and revised accounting standards

The consolidated entity has adopted the following new and revised Standards and Interpretations that are relevant to its operations and effective for the current reporting period.

• Amendments to AASB 1 *Presentation of Financial Statements* as a consequence of AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior years. However, the application of AASB 2011-9 has resulted in changes to the consolidated entity's presentation of, or disclosure in, its financial statements.

AASB 2011-9 introduces new terminology for the income statement. Under the amendments to AASB 101, the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

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

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

However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(e) Basis of consolidation

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

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the consolidated entity's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

When the consolidated entity loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are accounted for as if the consolidated entity had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and equity instruments issued by the consolidated entity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any previously held equity interest in the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

(f) Business combinations (cont'd)

Where the consideration transferred by the consolidated entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards, with the corresponding gain or loss being recognised in profit or loss. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

Where a business combination is achieved in stages, the consolidated entity's previously held interest in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date the consolidated entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(g) Segment reporting

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the consolidated entity. 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.

(h) Investments in associates and jointly controlled entities

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

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

Under the equity method, investments in associates and jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the consolidated entity's share of the profit or loss and other comprehensive income of the associates and jointly controlled entities.

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

Any excess of the cost of acquisition over the consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the consolidated entity's investment in an associate or a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised gains on transactions between the consolidated entity and an associate or a jointly controlled entity are eliminated to the extent of the consolidated entity's interest in the associate or jointly controlled entity. Unrealised losses are also eliminated, but only to the extent that there is no evidence of an impairment.

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

(i) Jointly controlled operations and assets

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

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

(j) Foreign currency

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

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

Foreign operations

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other receivables

Trade and other receivables are recognised at amortised cost, less an allowance for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is recognised when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Financial difficulties of the debtor, default payments or debts overdue are considered objective evidence of impairment. The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out or weighted average basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to make the sale. Finished goods mainly comprises gas inventory.

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

(n) Financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position. Fair value is determined in the manner described in Note 53.

Available-for-sale financial assets

Listed shares held by the consolidated entity that are traded in an active market are classified as available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 53. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

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

Impairment of financial assets

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

For financial assets measured at amortised cost, the amount of the impairment loss recognised in profit or loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment of trade receivables is recognised in accordance with the accounting policy set out in Note 1(l). When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the consolidated entity transfers substantially all the risks and rewards of the financial assets. If the consolidated entity neither retains nor transfers substantially all of the risks and rewards of ownership, it derecognises the asset if it has transferred control of the assets.

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

(o) Green commodity scheme certificates

The consolidated entity participates in a number of renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. The consolidated entity holds green commodity scheme certificates in order to satisfy its surrender obligations under the various schemes.

Green commodity scheme certificates are initially recorded at cost, being the fair value of the consideration paid. Subsequent to initial recognition, they are stated at the lower of cost and net realisable value. Costs of certificates are determined on a weighted average basis.

In the statement of financial position, green commodity scheme certificates are recognised within other assets and the related surrender obligations within trade and other payables.

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets and the assets of a disposal group classified as held for sale are presented separately from the other assets on the face of the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the face of the statement of financial position.

(q) Exploration and evaluation assets

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

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

• exploration and evaluation expenditure is expected to be recovered through successful development and exploration of the area of interest, or alternatively, by its sale; or

• exploration and evaluation activities in the area of interest have not, at the end of the reporting period, reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(r) Oil and gas assets

Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When commercial operation commences, the accumulated costs are transferred to oil and gas assets - producing assets.

Producing assets

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

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

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

(s) Property, plant and equipment

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

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

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

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

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

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

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

Freehold buildings	- 50 years
Leasehold improvements	- lesser of lease period or 20 years
Plant and equipment	- 3 to 35 years or relevant units of use

(t) Leases

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

Consolidated entity as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the consolidated entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised as assets of the consolidated entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

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

(u) Intangible assets

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (refer Note 1(f) above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity’s cash-generating units expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Licences

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

Customer relationships and contracts

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

The direct costs of establishing customer contracts are recognised as an asset when they relate to a specific customer acquisition campaign. The direct costs are amortised over the minimum contract term. Direct costs include customer acquisition fees paid to channel partners and upfront account purchase payments. All other customer acquisition costs are expensed as incurred.

(v) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

(v) Impairment of non-financial assets excluding goodwill (cont'd)

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

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

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

(w) Trade and other payables

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

(x) Borrowings

Borrowings are initially recognised at fair value of the consideration received, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

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

(y) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the end of the reporting period.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit superannuation plans

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

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

The defined benefit superannuation plan asset or liability recognised in the statement of financial position represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan's assets at that date and any unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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

(z) Share-based payments

The consolidated entity provides benefits to employees in the form of equity-settled share-based payments, whereby employees render services in exchange for shares or rights over shares.

The fair value of share performance rights (SPRs) granted to eligible employees under the AGL Long-Term Incentive Plan is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the SPRs. The fair value at grant date is determined by an independent valuer. Details regarding the determination of the fair value of share -based payment plans are set out in Note 50.

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

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

(aa) Provisions

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

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

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

Onerous contracts

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

Environmental restoration

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

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

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

Restructuring

A restructuring provision is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

(ab) Financial guarantee contracts

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

(ac) Derivative financial instruments and hedging

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and energy price risks arising in the normal course of business. The use of derivatives is subject to policies, procedures and limits approved by the Board of Directors. Further details of derivative financial instruments are disclosed in Note 53.

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

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

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

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

(ac) Derivative financial instruments and hedging (cont'd)

Cash flow hedges (cont'd)

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

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting - economic hedges

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

(ad) Issued capital

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

(ae) Revenue recognition

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

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

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

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

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

(af) Net financing costs

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in profit or loss in the period in which they are incurred. Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities, unwinding of the discount on provisions and deferred consideration, and gains and losses on certain hedging instruments that are recognised in profit or loss.

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

(ag) Goods and services tax

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

• where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

• for receivables and payables which are recognised inclusive of GST.

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

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

(ah) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

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

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

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

(ah) Income tax (cont'd)

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Parent Entity and each member of the group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 10 to the financial statements.

On 29 June 2012, AGL Generation Proprietary Limited (AGL Generation), a subsidiary of AGL Energy Limited (AGL), acquired the remaining 67.46% of the shares in, and loan notes issued by, Great Energy Alliance Corporation Pty Limited (GEAC) and 100% of the shares in Loy Yang Marketing Holdings Pty Limited (LYMH) which were not already owned by AGL. GEAC, LYMH and their subsidiaries were not eligible to be members of the existing AGL tax-consolidated group.

On 23 July 2012, AGL Generation Holdco Pty Ltd, a subsidiary 99.99% owned by AGL and AGL Generation elected to form a new tax-consolidated group with LYMH and its wholly-owned subsidiary. On 27 July 2012, GEAC and its wholly-owned subsidiaries joined the new tax-consolidated group. AGL Generation Holdco Pty Ltd is the head entity in the new tax-consolidated group.

(ai) Earnings per share

Basic earnings per share is determined by dividing the profit for the year attributable to owners of AGL Energy Limited, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by dividing the profit for the year attributable to owners of AGL Energy Limited, by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares.

(aj) Carbon pricing mechanism

The Clean Energy Act 2011 legislation established the framework for the Australian carbon price mechanism (CPM) which commenced on 1 July 2012. The current legislation details a two-stage carbon policy comprising a fixed price phase for the first three years, transitioning to a floating-priced, emissions trading scheme on 1 July 2015.

Under the CPM, the consolidated entity is required to obtain and surrender carbon permits in respect of its facilities which are direct emitters of 25,000 tonnes or more of carbon dioxide equivalent (CO2-e) annually and also for the CO2-e emissions associated with the supply of natural gas to customers who do not quote an obligation transfer number (OTN).

To assist the electricity generation sector transition to lower carbon emissions and to maintain secure energy supplies, the Government established the Energy Security Fund (ESF). Under the ESF, the Government is providing transitional assistance in the form of cash and allocations of free carbon permits to highly emissions-intensive coal-fired generators.

Cash compensation

On 22 June 2012, Great Energy Alliance Corporation Pty Limited (GEAC), a subsidiary of AGL Energy Limited and the owner of the Loy Yang A power station, received a coal-fired generation assistance cash payment of $240.1 million from the Australian Government under the ESF.

In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* (AASB 120), the $240.1 million was recognised in the statement of financial position as deferred revenue at 30 June 2012 and has been recognised in profit or loss during the 2013 financial year, reducing the impact of the carbon emissions expense.

Free carbon permits

GEAC also expects to receive allocations of approximately 10 million free carbon permits on 1 September 2013, 2014, 2015 and 2016, that are conditional on Loy Yang A satisfying a power system reliability test and publishing a clean energy investment plan.

Free carbon permits are in the nature of non-monetary government grants under AASB 120, where the permits are initially recorded at fair value. The grant is initially recognised as deferred revenue in the statement of financial position and will be recognised in profit or loss as an offset to the carbon emissions expense on a systematic basis over the periods in which the consolidated entity recognises the carbon emissions expense.

Carbon emissions liability

A carbon emissions liability is recognised as emissions are generated and natural gas is supplied to customers who do not quote an OTN. Carbon emissions liabilities are measured at the value of carbon permits required to extinguish the liability.

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

(ak) Standards and Interpretations in issue not yet adopted

A number of Australian Accounting Standards and Interpretations have been issued by the AASB but are not effective for the year ended 30 June 2013. The consolidated entity's assessment of the impact of these standards and interpretations is set out below.

AASB 9 ***Financial Instruments,*** **AASB 2009-11** ***Amendments to Australian Accounting Standards arising from AASB 9,*** **AASB 2010-7** ***Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*** **and AASB 2012-6** ***Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*** are effective for annual reporting periods beginning on or after 1 January 2015.

AASB 9 and its associated amending Standards introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

AASB 9 requires all recognised financial assets that are within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is generally presented in other comprehensive income. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

AASB 9 will be mandatory for the consolidated entity's 30 June 2016 financial statements. The application of AASB 9 is not expected to have a significant impact on the consolidated entity's accounting for financial assets and financial liabilities.

AASB 10 ***Consolidated Financial Statements*** is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 10 replaces the parts of AASB 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Interpretation 112 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of AASB 10. Under AASB 10, there is only one basis for consolidation, that is control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 will be mandatory for the consolidated entity's 30 June 2014 financial statements. It is expected that the new definition of control will have no significant impact on the composition of the consolidated entity.

AASB 11 ***Joint Arrangements*** is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 11 replaces AASB 131 *Interests in Joint Ventures.* AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate accounting.

AASB 11 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The application of AASB 11 is not expected to have any impact on the consolidated entity's joint arrangements that are in the form of joint operations. The consolidated entity's jointly controlled entities are expected to be classified as joint ventures and given that jointly controlled entities are currently accounted for using the equity method, these joint ventures will remain equity accounted under AASB 11.

AASB 12 ***Disclosure of Interests in Other Entities*** is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards.

AASB 12 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The application of AASB 12 will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the consolidated entity's investments.

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

(ak) Standards and Interpretations in issue not yet adopted (cont'd)

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* are effective for annual reporting periods beginning on or after 1 January 2013.

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of AASB 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other Australian Accounting Standards require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in AASB 13 are more extensive than those required in the current standards.

AASB 13 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The application of AASB 13 may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

AASB 119 *Employee Benefits (2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* are effective for annual reporting periods beginning on or after 1 January 2013.

The amendments to AASB 119 change the accounting for defined benefit plans. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

AASB 119 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The amendments to AASB 119 require retrospective application.

The amendments to AASB 119 require all actuarial gains and losses to be recognised immediately in other comprehensive income, which is consistent with the consolidated entity's current accounting policy. Based on the consolidated entity's preliminary assessment, AASB 119 will have an impact on the financial statements in the following areas:

- the defined benefit expense will no longer include the expected return on the plan assets or the interest cost on the defined benefit obligations; instead these will be replaced by a net interest amount, calculated using a discount rate (based on government bonds) applied to the net defined benefit liability or asset; and

- more extensive disclosures requirements about the characteristics, risks and amounts in the financial statements regarding defined benefit plans.

AASB 127 *Separate Financial Statements (2011)* is effective for annual reporting periods beginning on or after 1 January 2013.

The amended version of AASB 127 now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 *Consolidated and Separate Financial Statements.* Requirements for consolidated financial statements are now contained in AASB 10 *Consolidated Financial Statements.*

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 *Financial Instruments.*

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

AASB 127 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The application of AASB 127 will not affect any of the amounts recognised in the financial statements.

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

(ak) Standards and Interpretations in issue not yet adopted (cont'd)

AASB 128 ***Investments in Associates and Joint Ventures (2011)*** is effective for annual reporting periods beginning on or after 1 January 2013.

This Standard supersedes AASB 128 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines significant influence and provides guidance on how the equity method of accounting is to be applied. It also prescribes how investments in associates and joint ventures should be tested for impairment.

AASB 128 will be mandatory for the consolidated entity's 30 June 2014 financial statements. The application of AASB 128 will not affect any of the amounts recognised in the financial statements.

AASB 2011-7 ***Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*** is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 2011-7 gives effect to many consequential amendments to a number of Standards and Interpretations arising from the issuance of the new consolidation and joint arrangements Standards.

The amendments, which will be mandatory for the consolidated entity's 30 June 2014 financial statements, are not expected to have any significant impact on the financial statements.

AASB 2012-10 ***Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*** is effective for annual reporting periods beginning on or after 1 January 2013.

The amendments to AASB 10 and related Standards revise the transition guidance relevant to the initial application of those Standards, to clarify the circumstances in which adjustments to an entity’s previous accounting for its involvement with other entities are required and the timing of such adjustments.

The amendments, which will be mandatory for the consolidated entity's 30 June 2014 financial statements, are not expected to have any significant impact on the financial statements.

In addition to the above Standards which are applicable in future years, the following new and amendments to Standards are also applicable in future years. It is not expected these Standards will materially impact the consolidated entity's financial statements upon adoption.

• AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

• AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

• AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures - Offsetting Financial Assets and Financial Liabilities*

• AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

• AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

• AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*

• AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

• AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*

Note 2 - Significant accounting judgements, estimates and assumptions

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

Impairment of goodwill and other intangibles with indefinite useful lives
The consolidated entity determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the recoverable amount of the cash-generating units, using a value in use discounted methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in the estimation of recoverable amount are discussed in Note 23.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often based on estimates and judgements including future cash flows, revenue streams and value in use calculations. Refer to Note 44 for further details.

Allowance for doubtful debts
The collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Management uses its judgement in determining the level of doubtful debt provisioning, taking into account the historic analysis of bad debt trends and the prevailing economic conditions. Refer to Note 13 for further details.

Unbilled revenue
The consolidated entity recognises revenue from gas and electricity services once the gas and/or electricity has been consumed by the customer. Customers are billed on a periodic and regular basis. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption. The carrying amount of unbilled revenue is disclosed in Note 13.

Exploration and evaluation expenditure
The consolidated entity's policy for exploration and evaluation expenditure is stated in Note 1(q). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to profit or loss. Refer to Note 20 for further details.

Fair value of financial instruments
Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices and rates. Refer to Note 53 for further details.

Provision for environmental restoration
The consolidated entity estimates the future removal and restoration costs of electricity generation assets, oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of restoration activities required and available technologies. The carrying amount of the provision for environmental restoration is disclosed in Note 32.

Defined benefit superannuation plans
Various actuarial assumptions are utilised in the determination of the consolidated entity's defined benefit obligations. These assumptions and the related carrying amounts are discussed in Note 49.

Note 2 - Significant accounting judgements, estimates and assumptions (cont'd)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes and Monte Carlo simulation methods, with the assumptions detailed in Note 50. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Note 3 - Correction of unbilled distribution liability

During the year ended 30 June 2012 AGL completed Project Spectrum. Project Spectrum transferred AGL's business customers onto the same SAP billing platform as its consumer customers (excluding 118,600 Powerdirect customers). This single SAP billing platform has materially enhanced the granularity of analysis that is able to be performed on customer balances. Using this enhanced capability, AGL undertook a comprehensive review of debtors, unbilled sales, creditors and unbilled distribution costs.

This review highlighted that, in prior periods, AGL had consistently but incorrectly estimated period-end distribution liabilities by using a methodology to accrue distribution charges based on an estimated number of days not yet billed by the relevant distributor in each state. AGL believed that this estimate fully accounted for invoices relating to the relevant period end that had yet to be received. However, this estimate has never fully accounted for invoices received after the relevant period end relating to distribution charges incurred prior to the period end.

It was impracticable to allocate the increased liability between opening balance liabilities arising from business acquisitions and increased expenses in prior periods. Accordingly, opening retained earnings for the year ended 30 June 2012 was reduced by $79.9 million as a result of an increase in the opening distribution liability of $114.1 million and a net decrease in tax liabilities of $34.2 million. Actual distribution expense for the year ended 30 June 2012 was correctly reflected in profit or loss.

Note 4 - Segment information

Operating segments

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.

Segment results are reported according to the internal management reporting structure at the reporting date.

The consolidated entity has four reportable operating segments as follows:

• **Retail Energy** sells natural gas, electricity and energy-related products and services to residential and small business customers.

• **Merchant Energy** develops, operates and maintains power generation assets and manages 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 sells natural gas and electricity to business customers and provides energy efficiency and carbon management services.

• **Upstream Gas** invests in, and operates gas exploration, development and production tenements and develops and operates gas storage facilities.

• **Energy Investments** includes equity accounted investments in the ActewAGL Retail Partnership and Diamantina Holding Company Pty Limited. The equity accounted investment in Great Energy Alliance Corporation Pty Limited (GEAC) was also included in this segment up until 29 June 2012, when AGL completed the acquisition of GEAC, increasing its ownership from 32.54% to 100%. GEAC owns the Loy Yang A power station and adjacent brown coal mine which are now reported in the Merchant Energy operating segment.

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.

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 consistent with methodologies adopted by regulators for determining wholesale energy costs when setting tariffs. Inter-segment revenue is eliminated on consolidation.

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies.

Information regarding the consolidated entity's reportable segments is presented below.

Note 4 - Segment information (cont'd)

	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Other $m	Total $m
2013						
Revenue						
Total segment revenue	**4,951.6**	**6,888.8**	**83.9**	**-**	**0.4**	**11,924.7**
Inter-segment revenue	**(13.4)**	**(2,166.3)**	**(29.3)**	**-**	**-**	**(2,209.0)**
External revenue	**4,938.2**	**4,722.5**	**54.6**	**-**	**0.4**	**9,715.7**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**431.1**	**1,034.5**	**23.8**	**26.2**	**(179.2)**	**1,336.4**
Depreciation and amortisation	**(75.6)**	**(165.2)**	**(23.8)**	**-**	**(22.5)**	**(287.1)**
Operating EBIT	**355.5**	**869.3**	**-**	**26.2**	**(201.7)**	**1,049.3**
Net financing costs						**(205.5)**
Underlying profit before income tax						**843.8**
Income tax expense						**(245.5)**
Underlying profit						**598.3**
Segment assets	**3,664.6**	**6,874.1**	**1,156.5**	**29.4**	**124.2**	**11,848.8**
Segment liabilities	**419.1**	**1,321.3**	**119.0**	**-**	**108.1**	**1,967.5**
Other segment information						
Share of profits of associates and jointly controlled entities	**-**	**-**	**0.1**	**26.2**	**-**	**26.3**
Investments in associates and jointly controlled entities	**-**	**-**	**4.2**	**28.9**	**-**	**33.1**
Additions to non-current assets	**50.8**	**293.7**	**225.8**	**-**	**33.8**	**604.1**
Other non-cash expenses	**(69.7)**	**(4.8)**	**-**	**-**	**(7.1)**	**(81.6)**
Gain in fair value of financial instruments	**-**	**113.8**	**-**	**-**	**0.5**	**114.3**
Significant expense items	**-**	**(98.7)**	**(395.4)**	**-**	**-**	**(494.1)**

Note 4 - Segment information (cont'd)

	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Other $m	Total $m
2012						
Revenue						
Total segment revenue	4,194.3	4,955.7	80.1	-	0.1	9,230.2
Inter-segment revenue	-	(1,743.1)	(31.5)	-	-	(1,774.6)
External revenue	4,194.3	3,212.6	48.6	-	0.1	7,455.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	391.9	628.5	20.6	24.5	(161.2)	904.3
Depreciation and amortisation	(59.1)	(78.8)	(20.0)	-	(16.0)	(173.9)
Operating EBIT	332.8	549.7	0.6	24.5	(177.2)	730.4
Net financing costs						(51.2)
Underlying profit before income tax						679.2
Income tax expense						(197.2)
Underlying profit						482.0
Segment assets	3,455.0	6,656.8	1,360.4	116.9	116.1	11,705.2
Segment liabilities	424.1	1,392.9	101.9	-	136.5	2,055.4
Other segment information						
Share of profits of associates and jointly controlled entities	-	-	(0.1)	16.9	-	16.8
Investments in associates and jointly controlled entities	-	-	4.4	27.2	-	31.6
Additions to non-current assets	110.7	3,020.4	147.2	1.6	30.8	3,310.7
Other non-cash expenses	(61.7)	(5.2)	-	-	(6.4)	(73.3)
(Loss)/gain in fair value of financial instruments	-	(308.6)	-	4.0	-	(304.6)
Significant expense items	-	(15.9)	(35.8)	(157.0)	(3.0)	(211.7)

AGL Energy Limited and Subsidiaries
Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

Note 4 - Segment information (cont'd)

	2013 $m	2012 $m
Segment revenue reconciliation to the statement of profit or loss		
Reconciliation of segment revenue to total revenue is as follows:		
Total segment revenue for reportable segments	**11,924.3**	9,230.1
Elimination of inter-segment revenue	**(2,209.0)**	(1,774.6)
Total revenue for reportable segments	**9,715.3**	7,455.5
Other	**0.4**	0.1
Total revenue	**9,715.7**	7,455.6

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

	2013 $m	2012 $m
Electricity	**5,789.8**	5,074.8
Gas	**2,199.0**	1,885.3
Generation sales to pool	**1,302.6**	204.7
Coal	**69.2**	-
Oil	**3.4**	4.3
Wind farm development fees	**-**	43.0
Green commodities scheme certificates	**185.1**	109.7
Management fees	**10.8**	11.6
Other goods and services revenue	**154.9**	120.6
Other revenue	**0.9**	1.6
Total revenue	**9,715.7**	7,455.6

Segment Operating EBIT reconciliation to the statement of profit or loss
Reconciliation of segment Operating EBIT to profit before tax is as follows:

	2013 $m	2012 $m
Operating EBIT for reportable segments	**1,251.0**	907.6
Other	**(201.7)**	(177.2)
	1,049.3	730.4
Amounts excluded from underlying results:		
- gain/(loss) in fair value of financial instruments	**114.3**	(304.6)
- significant expense items	**(494.1)**	(211.7)
Finance income included in Operating EBIT	**(2.3)**	(12.7)
Finance income	**41.5**	45.4
Finance costs	**(244.7)**	(83.9)
Profit before tax	**464.0**	162.9

Note 4 - Segment information (cont'd)

	2013 $m	2012 $m
Segment assets reconciliation to the statement of financial position		
Reconciliation of segment assets to total assets is as follows:		
Segment assets for reportable segments	**11,724.6**	11,589.1
Other	**124.2**	116.1
	11,848.8	11,705.2
Cash and cash equivalents	**281.0**	1,812.9
Deferred tax assets	**729.2**	611.1
Derivative financial instruments	**506.8**	609.2
Total assets	**13,365.8**	14,738.4
Segment liabilities reconciliation to the statement of financial position		
Reconciliation of segment liabilities to total liabilities is as follows:		
Segment liabilities for reportable segments	**1,859.4**	1,918.9
Other	**108.1**	136.5
	1,967.5	2,055.4
Borrowings	**3,109.0**	4,312.0
Current tax liabilities	**154.6**	11.0
Deferred tax liabilities	**99.4**	349.0
Derivative financial instruments	**449.6**	625.4
Deferred and contingent consideration liabilities	**246.7**	252.7
Total liabilities	**6,026.8**	7,605.5

Geographical information

The consolidated entity operates in one principal geographical area - Australia.

The total of non-current assets other than derivative financial instruments and deferred tax assets located in Australia is $9,462.4 million (2012: $9,563.0 million), and the total of non-current assets located in other countries is $nil (2012: $2.6 million).

The total external revenue is all from customers located in Australia for both 2013 and 2012.

Information about major customers

No single customer amounts to 10% or more of the consolidated entity's total external revenue for both 2013 and 2012.

	2013 $m	2012 $m
Note 5 - Revenue		
Revenue from sale of goods	**9,562.7**	7,288.9
Revenue from rendering of services	**152.1**	165.1
Other revenue		
Royalties	**0.9**	1.6
	9,715.7	7,455.6
Note 6 - Other income		
Gain on purchase of financial instruments	**-**	2.9
	-	2.9
Note 7 - Expenses		
Cost of sales	**7,451.3**	5,918.4
Administrative expenses	**203.6**	165.0
Employee benefits expense	**489.7**	356.4
Other expenses		
(Gain)/loss in fair value of financial instruments	**(114.3)**	304.6
Impairment loss on trade receivables (net of bad debts recovered)	**52.4**	55.7
Impairment loss on exploration and evaluation assets	**347.3**	35.8
Impairment loss on oil and gas assets	**31.2**	-
Impairment loss on property, plant and equipment	**44.0**	-
Impairment loss on intangible assets	**16.9**	-
Impairment loss on investment in a jointly controlled entity	**0.3**	-
Impairment loss on loan to a jointly controlled entity	**1.5**	-
Loss on remeasurement to fair value of pre-existing equity interest in an acquired entity (Note 44)	**-**	120.7
Cumulative loss reclassified from equity of pre-existing equity interest in an acquired entity (Note 44)	**-**	36.3
Merger and acquisition related costs	**52.9**	12.9
Redundancy, termination, integration and restructure costs	**-**	8.9
Net loss on disposal of exploration and evaluation assets	**-**	1.1
Net loss on disposal of oil and gas assets	**-**	0.1
Net loss on disposal of property, plant and equipment	**0.9**	0.3
Operating lease rental expenses	**19.0**	20.4
Other	**191.0**	63.4
	8,787.7	7,100.0

	2013 $m	2012 $m
Note 8 - Net financing costs		
Finance income		
Interest income		
Associates and jointly controlled entities	**3.6**	14.0
Other entities	**37.9**	31.4
	41.5	45.4
Finance costs		
Interest expense		
Other entities	**218.2**	94.2
Finance costs capitalised	**(27.9)**	(26.8)
Unwinding of discounts on provisions	**17.9**	10.7
Unwinding of discount on deferred and contingent consideration	**27.1**	0.2
Other finance costs	**9.4**	5.6
	244.7	83.9
Net financing costs	**203.2**	38.5

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 7.07% (2012: 7.25%).

Note 9 - Profit before income tax

Profit before income tax has been arrived at after charging the following expenses.

	2013 $m	2012 $m
Depreciation and amortisation		
Property, plant and equipment	**214.9**	118.2
Oil and gas assets	**18.9**	15.8
Intangible assets	**47.6**	34.1
Other	**5.7**	5.8
	287.1	173.9
Employee benefits expense		
Wages and salaries	**402.6**	300.6
Defined benefit superannuation plans	**8.4**	1.6
Defined contribution superannuation plans	**18.0**	15.8
Share-based payment plans	**7.1**	6.4
Other employee benefits	**53.6**	32.0
	489.7	356.4

	2013 $m	2012 $m
Note 9 - Profit before income tax (cont'd)		
Significant expense/(income) items before income tax		
Impairment loss on exploration and evaluation assets	**347.3**	35.8
Impairment loss on oil and gas assets	**31.2**	-
Impairment loss on property, plant and equipment	**44.0**	-
Impairment loss on intangible assets	**16.9**	-
Impairment loss on investment in a jointly controlled entity	**0.3**	-
Impairment loss on loan to a jointly controlled entity	**1.5**	-
Loss on remeasurement to fair value of pre-existing equity interest in an acquired entity	**-**	120.7
Cumulative loss reclassified from equity of pre-existing equity interest in an acquired entity	**-**	36.3
Merger and acquisition related costs	**52.9**	12.9
Redundancy, termination, integration and restructure costs	**-**	8.9
Gain on purchase of financial instruments	**-**	(2.9)
	494.1	211.7
Income tax (income)/expense applicable:		
Impairment loss on exploration and evaluation assets	**(64.7)**	(9.2)
Impairment loss on oil and gas assets	**(9.4)**	-
Impairment loss on property, plant and equipment	**(7.2)**	-
Impairment loss on intangible assets	**-**	-
Impairment loss on investment in a jointly controlled entity	**-**	-
Impairment loss on loan to a jointly controlled entity	**-**	-
Loss on remeasurement to fair value of pre-existing equity interest in an acquired entity	**-**	-
Cumulative loss reclassified from equity of pre-existing equity interest in an acquired entity	**-**	-
Merger and acquisition related costs	**-**	-
Redundancy, termination, integration and restructure costs	**-**	(2.5)
Gain on purchase of financial instruments	**-**	0.9
	(81.3)	(10.8)
Effect on deferred tax balances due to the change in income tax treatment of unbilled revenue	**(176.6)**	-
Reversal of deferred tax balances relating to petroleum resource rent tax	**53.4**	-
Recognition of a deferred tax asset due to the changes to the petroleum resource rent tax legislation to cover onshore oil and gas projects	**-**	(53.4)
Effect of change in income tax treatment for surrender obligations under various green product schemes	**-**	7.6
	(204.5)	(56.6)
Significant expense items after income tax	**289.6**	155.1

Note 10 - Income tax

	2013 $m	2012 $m
Income tax recognised in the statement of profit or loss		
The major components of income tax expense are:		
Current tax		
Current tax expense in respect of the current year	**121.7**	104.3
Adjustments in relation to current tax of prior years	**(11.9)**	(11.1)
Deferred tax		
Relating to the origination and reversal of temporary differences	**88.7**	8.2
Effect on deferred tax balances due to the change in income tax treatment of unbilled revenue	**(176.6)**	-
Reversal of deferred tax balances relating to petroleum resource rent tax	**53.4**	-
Effect on deferred tax balances due to changes to the petroleum resource rent tax legislation	**-**	(53.4)
Total income tax expense	**75.3**	48.0
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:		
Profit before tax	**464.0**	162.9
Income tax expense calculated at the Australian tax rate of 30% (2012: 30%)	**139.2**	48.9
Impairment loss on non-current assets	**51.2**	1.5
Non-deductible expenses	**19.6**	11.6
Share of profits of associates and jointly controlled entities	**0.4**	3.4
Loss on remeasurement to fair value of pre-existing equity interest in an acquired entity	**-**	36.2
Cumulative loss reclassified from equity of pre-existing equity interest in an acquired entity	**-**	10.9
Effect on deferred tax balances due to the change in income tax treatment of unbilled revenue	**(176.6)**	-
Reversal of deferred tax balances relating to petroleum resource rent tax	**53.4**	-
Effect on deferred tax balances due to changes to the petroleum resource rent tax legislation	**-**	(53.4)
Adjustments in relation to current tax of prior years	**(11.9)**	(11.1)
	75.3	48.0
Income tax recognised directly in equity		
Current tax		
Share issue transaction costs	**-**	(1.3)
Deferred tax		
Share issue transaction costs	**-**	(5.2)
	-	(6.5)
Income tax recognised in other comprehensive income		
Deferred tax		
Cash flow hedges	**(10.7)**	51.1
Actuarial gain/(loss) on defined benefit plans	**23.6**	(21.0)
	12.9	30.1
Current tax liabilities		
Income tax payable	**154.6**	11.0

	2013 $m	2012 $m
Note 10 - Income tax (cont'd)		
Deferred income tax recognised in the statement of profit or loss		
Temporary differences		
Unbilled revenue	**-**	39.2
Allowance for doubtful debts	**1.6**	(3.2)
Other receivables	**-**	(8.0)
Jointly controlled entities	**0.2**	(13.9)
Exploration and evaluation assets	**(51.6)**	12.2
Oil and gas assets	**6.5**	7.8
Property, plant and equipment	**84.3**	37.1
Intangible assets	**2.6**	7.1
Defined benefit superannuation plans	**6.1**	2.5
Payables and accruals	**(32.0)**	8.8
Provisions	**9.0**	5.8
Derivative financial instruments	**(8.0)**	(92.9)
Deferred revenue	**68.5**	2.0
Share issue transaction costs	**1.3**	1.3
Other	**0.2**	2.4
	88.7	8.2

	2013 $m	2012 $m
Deferred tax balances		
Deferred tax assets/(liabilities) arise from the following:		
Unbilled revenue	**-**	(254.2)
Allowance for doubtful debts	**21.0**	22.6
Other receivables	**(1.7)**	(0.3)
Jointly controlled entities	**2.7**	8.3
Exploration and evaluation assets	**(102.6)**	(158.4)
Oil and gas assets	**(14.8)**	(16.3)
Property, plant and equipment	**(277.1)**	(301.9)
Intangible assets	**(12.8)**	(10.1)
Defined benefit superannuation plans	**37.4**	67.1
Payables and accruals	**50.1**	5.2
Borrowings	**-**	(3.0)
Provisions	**97.6**	107.0
Derivative financial instruments	**125.9**	10.8
Deferred revenue	**0.2**	74.7
Share issue transaction costs	**3.8**	5.2
Tax losses	**699.9**	654.8
Other	**0.2**	(2.8)
Net deferred tax assets relating to income tax	**629.8**	208.7
Deferred tax assets relating to petroleum resource rent tax	**-**	53.4
Net deferred tax assets	**629.8**	262.1

	2013 $m	2012 $m
Recognised in the statement of financial position as follows:		
Deferred tax assets	**729.2**	611.1
Deferred tax liabilities	**(99.4)**	(349.0)
Net deferred tax assets	**629.8**	262.1

	2013 $m	2012 $m
Unrecognised deferred tax assets		
Deductible temporary differences	**-**	-

Note 10 - Income tax (cont'd)

Tax consolidation

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

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

On 29 June 2012, AGL Generation Proprietary Limited (AGL Generation), a subsidiary of AGL Energy Limited (AGL), acquired the remaining 67.46% of the shares in, and loan notes issued by, Great Energy Alliance Corporation Pty Limited (GEAC) and 100% of the shares in Loy Yang Marketing Holdings Pty Limited (LYMH) which were not already owned by AGL. GEAC, LYMH and their subsidiaries were not eligible to be members of the existing AGL tax-consolidated group.

On 23 July 2012, AGL Generation Holdco Pty Ltd, a subsidiary 99.99% owned by AGL and AGL Generation elected to form a new tax-consolidated group with LYMH and its wholly-owned subsidiary. On 27 July 2012, GEAC and its wholly-owned subsidiaries joined the new tax-consolidated group. AGL Generation Holdco Pty Ltd is the head entity in the new tax-consolidated group.

Petroleum resource rent tax

A deferred tax asset originally recognised at 30 June 2012 in relation to the Petroleum Resource Rent Tax (PRRT) Assessment Act 1987 has been de-recognised as at 30 June 2013. The deferred tax asset represented the difference between the PRRT starting tax base amount and the carrying value of the production permits to which the PRRT will apply. Due to the New South Wales Government's proposed amendments to the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 discussed in Note 20 and the associated reduction in the carrying value of the production permits there is no longer any deferred tax asset to recognise resulting in a charge to current year income tax expense of $53.4 million.

Revenue authority matters - unbilled revenue

AGL accounts for unbilled revenue using an estimate of energy consumed until reporting date but not yet billed to customers. For taxation purposes, AGL has previously treated unbilled revenue as derived for income tax purposes only when a bill was issued to customers. This treatment gave rise to a deferred tax liability.

AGL and the Australian Taxation Office (ATO) have agreed a revised approach whereby AGL’s tax treatment will transition to the approach consistent with the accrual method used for accounting. This in-principle agreement will result in amended assessments in respect of AGL’s 2008 to 2012 years of income of $41.3 million.

The agreement reached with the ATO results in an income tax benefit of $176.6 million, arising from a reversal of the deferred tax liability, net of taxes paid and payable.

	2013 $m	2012 $m
Note 11 - Dividends		
Recognised amounts		
Final dividend		
Final dividend for 2012 of 32.0 cents per share, fully franked at 30%, paid 27 September 2012 (2012: Final dividend for 2011 of 31.0 cents per share, unfranked, paid 29 September 2011)	**174.9**	143.2
Interim dividend		
Interim dividend for 2013 of 30.0 cents per share, fully franked at 30%, paid 4 April 2013 (2012: Interim dividend for 2012 of 29.0 cents per share, fully franked, paid 5 April 2012)	**165.3**	135.0
Total dividends	**340.2**	278.2
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 35)	**(126.3)**	(92.4)
Dividends paid as per the statement of cash flows	**213.9**	185.8
Unrecognised amounts		
Since the end of the financial year, the Directors have declared a final dividend for 2013 of 33.0 cents per share, fully franked at 30%, (2012: 32.0 cents fully franked), payable 27 September 2013.	**182.9**	174.7

The financial effect of this dividend has not been recognised as a liability in these financial statements but will be brought to account in the 2014 financial year.

Dividend reinvestment plan
The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at a 1.5% discount to 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 10 September 2013.

Dividend franking account		
Adjusted franking account balance	**87.1**	36.3
Impact on franking account balance of dividends proposed after the reporting date but not recognised as a liability	**(78.4)**	(74.9)

Note 12 - Cash and cash equivalents

	2013 $m	2012 $m
Cash at bank and on hand	**167.2**	540.1
Short-term deposits	**113.8**	1,272.8
	281.0	1,812.9

The carrying amounts of cash and cash equivalents represent fair value. Bank balances and short-term deposits earn interest at floating rates based upon market rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the consolidated entity. All deposits are held with financial institutions approved by the Board.

Restricted cash balances
Great Energy Alliance Corporation Pty Limited, a wholly-owned subsidiary, has cash and cash equivalents at 30 June 2013 of $115.1 million (2012: $77.0 million) which are held in reserve accounts which may only be used for the purposes specified under the project financing documents. This includes up to six months of debt repayments and a diminishing percentage of budgeted capital expenditure.

	2013 $m	2012 $m
Note 13 - Trade and other receivables (current)		
Trade receivables	**776.3**	697.7
Allowance for doubtful debts	**(69.9)**	(75.3)
	706.4	622.4
Unbilled revenue	**1,062.0**	833.5
Amounts owing by jointly controlled entities	**65.1**	51.7
Amounts owing by joint venture operations	**1.1**	0.8
Finance lease receivables (Note 17)	**1.4**	-
Other receivables	**8.0**	23.0
	1,844.0	1,531.4

Allowance for doubtful debts

Movements in the allowance for doubtful debts are detailed below:

	2013 $m	2012 $m
Balance at beginning of financial year	**75.3**	64.6
Impairment losses recognised on receivables	**74.5**	66.9
Amounts written off as uncollectible	**(79.9)**	(56.2)
Balance at end of financial year	**69.9**	75.3

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

	2013		2012	
	Total $m	Allowance $m	Total $m	Allowance $m
Not past due	**531.3**	**(4.9)**	462.6	(5.6)
Past due 31 - 60 days	**61.6**	**(9.2)**	51.2	(7.1)
Past due 61 - 90 days	**33.7**	**(7.8)**	22.8	(6.7)
Past 90 days	**149.7**	**(48.0)**	161.1	(55.9)
	776.3	**(69.9)**	697.7	(75.3)

The consolidated entity's policy requires customers to pay in accordance within agreed payment terms. Depending on the customer segment, settlement terms are generally less than 30 days from date of invoice. An allowance for doubtful debts is recognised when there is objective evidence that a trade receivable is impaired. Financial difficulties of the debtor, default payments or debts overdue are considered objective evidence of impairment. An impairment loss for doubtful debts of $74.5 million (2012: $66.9 million) has been recognised in the year and has been included in other expenses in Note 7.

At the end of the reporting period, trade receivables with a carrying amount of $180.0 million (2012: $165.4 million) were past due but not considered impaired. These trade receivables relate to customers for whom there has not been a significant change in credit quality and the amounts are considered recoverable.

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

Unbilled revenue

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

Amounts owing by jointly controlled entities and joint venture operations

For terms and conditions relating to amounts owing by jointly controlled entities and joint venture operations, refer to Note 51.

Fair value and credit risk

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

	2013 $m	2012 $m
Note 14 - Inventories (current)		
Raw materials and stores - at cost	**44.7**	73.9
Finished goods - at cost	**88.3**	111.5
	133.0	185.4

Note 15 - Other financial assets (current)

	2013 $m	2012 $m
Derivative financial instruments - at fair value (Note 53)		
- Forward foreign exchange contracts - cash flow hedges	**8.2**	-
- Energy derivatives - cash flow hedges	**28.5**	120.6
- Energy derivatives - economic hedges	**131.9**	58.8
	168.6	179.4
Loans to jointly controlled entities - at amortised cost	**-**	89.7
Futures deposits and margin calls	**18.3**	26.5
	186.9	295.6

For terms and conditions relating to loans to jointly controlled entities, refer to Note 51.

Note 16 - Other assets (current)

	2013 $m	2012 $m
Green commodity scheme certificates	**346.1**	267.5
Prepayments	**45.0**	39.1
	391.1	306.6

Note 17 - Trade and other receivables (non-current)

	2013 $m	2012 $m
Finance lease receivables	**47.3**	-

The consolidated entity enters into finance lease arrangements with customers in respect of generation facilities. The average term of finance leases is 15 years, with options to extend.

The finance lease receivables at the end of the reporting period are neither past due nor impaired. The carrying amount of the finance lease receivables approximates to their fair value.

	Minimum lease payments		Present value of minimum lease payments	
Finance lease receivables	**2013 $m**	**2012 $m**	**2013 $m**	**2012 $m**
Not later than one year	**5.0**	-	**1.4**	-
Later than one year and not later than five years	**20.1**	-	**6.6**	-
Later than five years	**62.0**	-	**40.7**	-
	87.1	-	**48.7**	-
Less unearned finance income	**(38.4)**	-	**-**	-
Present value of minimum lease payments receivable	**48.7**	-	**48.7**	-
Included in the financial statements as:				
Current finance lease receivables			**1.4**	-
Non-current finance lease receivables			**47.3**	-
			48.7	-

	2013 $m	2012 $m
Note 18 - Inventories (non-current)		
Raw materials and stores - at cost	**29.2**	-

	2013 $m	2012 $m
Note 19 - Investments accounted for using the equity method		
Investments in jointly controlled entities - unlisted	**31.3**	29.5
Allowance for impairment in value	**(0.3)**	-
	31.0	29.5
Investments in associates - unlisted	**2.1**	2.1
	33.1	31.6
Reconciliation of movements in investments accounted for using the equity method		
Balance at beginning of financial year	**31.6**	240.7
Additions	**-**	1.6
Carrying value of investment converted to a subsidiary (Note 44)	**-**	(144.2)
Impairment loss recognised in profit or loss	**(0.3)**	-
Share of profits after income tax	**26.3**	16.8
Share of other comprehensive income	**-**	(56.6)
Dividends received	**(24.5)**	(26.7)
Balance at end of financial year	**33.1**	31.6

			Ownership		Carrying value	
Name of entity	**Principal activities**	**Country of incorporation**	**2013 %**	**2012 %**	**2013 $m**	**2012 $m**
Associates						
CSM Energy Limited	Coal mine methane gas extraction	Australia	**35.0**	35.0	**2.1**	2.1
Jointly controlled entities						
ActewAGL Retail Partnership	Energy and water services	Australia	**50.0**	50.0	**27.6**	25.6
Energy Infrastructure Management Pty Ltd	Pipeline management services	Australia	**50.0**	50.0	**2.1**	1.9
Central Queensland Pipeline Pty Ltd	Gas pipeline development	Australia	**50.0**	50.0	**-**	0.4
Diamantina Holding Company Pty Limited	Electricity generation	Australia	**50.0**	50.0	**1.3**	1.6
					33.1	31.6

Impairment loss

At 30 June 2013, the consolidated entity reviewed the carrying amount of its equity accounted investments in associates and jointly controlled entities for indicators of impairment in accordance with the consolidated entity's accounting policy (refer Note 1(h)). As a result, the recoverable amount of the consolidated entity's 50% ownership interest in the Central Queensland Pipeline Pty Ltd (CQP) was formally reassessed. The review led to the recognition of an impairment loss of $0.3 million in the Upstream Gas operating segment as a result of the decision by a third party not to proceed with the development of a gas pipeline.

The impairment loss of $0.3 million (2012: $nil) is included in other expenses in the line item 'impairment loss on investment in a jointly controlled entity' in Note 7.

Note 19 - Investments accounted for using the equity method (cont'd)

	2013 $m	**2012 $m**
Summarised financial information of associates (a)		
Current assets	**0.3**	0.3
Non-current assets	**-**	-
Total assets	**0.3**	0.3
Current liabilities	**-**	-
Non-current liabilities	**-**	-
Total liabilities	**-**	-
Net assets	**0.3**	0.3
Revenue	**-**	631.8
Net loss after tax	**-**	(34.4)
Consolidated entity's share of associates' loss	**-**	(11.2)

(a) On 29 June 2012, the consolidated entity completed the acquisition of Great Energy Alliance Corporation Pty Limited (GEAC), increasing its ownership from 32.54% to 100%. The summarised financial information of associates for the 2012 financial year includes GEAC.

	2013 $m	**2012 $m**
Summarised financial information of jointly controlled entities		
Current assets	**239.5**	185.6
Non-current assets	**526.1**	250.5
Total assets	**765.6**	436.1
Current liabilities	**173.7**	375.5
Non-current liabilities	**526.4**	4.5
Total liabilities	**700.1**	380.0
Net assets	**65.6**	56.1
Revenue	**752.1**	647.6
Expenses	**(699.1)**	(591.4)
Consolidated entity's share of jointly controlled entities' profit	**26.3**	28.0

Dividends received from associates and jointly controlled entities
During the year, the consolidated entity received dividends of $nil (2012: $nil) from its associates and $24.5 million (2012: $26.7 million) from its jointly controlled entities.

Capital commitments and contingent liabilities
The consolidated entity's share of capital expenditure commitments and contingent liabilities of associates and jointly controlled entities are disclosed in Notes 39 and 41 respectively.

	2013 $m	2012 $m
Note 20 - Exploration and evaluation assets		
Balance at beginning of financial year	**654.0**	658.0
Additions	**40.9**	38.3
Reclassified from property, plant and equipment (Note 22)	**4.4**	-
Impairment loss recognised in profit or loss	**(297.8)**	-
Exploration expenditure derecognised	**(49.5)**	(35.8)
Disposals	**(3.0)**	(6.5)
Balance at end of financial year	**349.0**	654.0
Cost (gross carrying amount)	**646.8**	654.0
Accumulated impairment	**(297.8)**	-
Net carrying amount	**349.0**	654.0

Impairment loss and exploration expenditure derecognised

2013

At 30 June 2013, the consolidated entity reviewed the carrying amount of its exploration and evaluation assets for indicators of impairment in accordance with the consolidated entity's accounting policy (refer Note 1(q)). As a result, the recoverable amounts of some specific exploration and evaluation assets were formally reassessed.

During the year there has been significant change and uncertainty in government policy which has affected the value of the consolidated entity's upstream gas assets in NSW.

On 19 February 2013, the New South Wales Government announced its intention to amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP) and subsequently issued a Planning White Paper calling for submissions by 28 June 2013. At the date of finalisation of these consolidated financial statements, the NSW Government was still to release a final amended Mining SEPP.

The proposed changes include exclusion zones for coal seam gas exploration and development within two kilometres of residential areas and within certain critical industry cluster areas covering viticulture and equine activities.

Existing approved projects are not expected to be affected. For the consolidated entity, these are the approved and operating project at Camden and the approved project at Gloucester (Stage 1). Proposed but not approved AGL projects that are potentially affected are Camden (Camden North expansion), Hunter and Gloucester (Stages 2 & 3).

Gas reserves within the Gloucester, Camden and Hunter Gas Projects were reassessed by an independent expert as at 30 June 2013. The estimated effect of the proposed Mining SEPP changes was to reduce total proved plus probable (2P) reserves in New South Wales, by 403 PJ to 504 PJ.

While the NSW Government is yet to formulate the Mining SEPP, it has been considered prudent to recognise an impairment provision for these projects. As a result, an impairment loss of $297.8 million has been recognised in the Upstream Gas operating segment in respect of the Gloucester Gas Project of $106.5 million, Camden Gas Project (Camden North expansion) of $12.8 million and Hunter Gas Project of $178.5 million.

The consolidated entity holds a 50% joint venture interest in the Galilee Gas Project, a coal seam exploration project in the Galilee Basin in central Queensland under licence ATP 529P. Galilee Energy Limited (GLL) is the consolidated entity's 50% joint venture partner. On 26 June 2013, Malt Energy Pty Ltd acquired approximately 16.1% of the voting shares in GLL for consideration of $2.9 million.

The consolidated entity conducted a review of its interests in ATP 529P and determined its interests in the joint venture had negligible value, after allowing for technical and commercial uncertainty associated with the ongoing exploration program. As a result, exploration expenditure of $49.5 million has been derecognised in the Upstream Gas operating segment in respect of the Galilee Gas Project.

The impairment loss and exploration expenditure derecognised of $347.3 million (2012: $35.8 million) is included in other expenses in the line item 'impairment loss on exploration and evaluation assets' in Note 7.

Note 20 - Exploration and evaluation assets (cont'd)

2012

At 30 June 2012, the consolidated entity reviewed the carrying amount of its exploration and evaluation assets for indicators of impairment. As a result, the recoverable amounts of some specific exploration and evaluation assets were formally reassessed. Estimates of recoverable amounts of exploration and evaluation assets were based on the assets fair value less costs to sell.

The review resulted in the recognition of an impairment loss of $21.8 million in respect of the consolidated entity's 40% interest in the oil exploration permit ATP 1056P, located in the Cooper Basin in south-west Queensland.

An impairment loss of $14.0 million was also recognised in respect of the consolidated entity's geothermal exploration assets located in Victoria, Queensland and New South Wales.

	2013	**2012**
	$m	**$m**
Note 21 - Oil and gas assets		
Producing assets		
Balance at beginning of financial year	**483.8**	461.4
Additions	**61.4**	66.0
Fair value adjustments on prior year acquisitions	**-**	(20.0)
Disposals	**-**	(7.8)
Depreciation and amortisation expense	**(18.9)**	(15.8)
Impairment loss recognised in profit or loss	**(31.2)**	-
Balance at end of financial year	**495.1**	483.8
Cost (gross carrying amount)	**635.5**	574.1
Accumulated depreciation, amortisation and impairment	**(140.4)**	(90.3)
Net carrying amount	**495.1**	483.8

Depreciation and amortisation expense

Depreciation and amortisation expense of $18.9 million (2012: $15.8 million) is included in the line item 'depreciation and amortisation' in the statement of profit or loss.

Impairment loss

At 30 June 2013, the consolidated entity reviewed the carrying amount of its oil and gas assets for indicators of impairment in accordance with the consolidated entity's accounting policy (refer note 1(v)). As a result, the recoverable amounts of the consolidated entity's upstream gas assets were formally reassessed. The review led to the recognition of an impairment loss of $31.2 million in the Upstream Gas operating segment in respect of the Camden Gas Project (Camden North expansion). Refer to Note 20 for further details.

The impairment loss of $31.2 million (2012: $nil) is included in other expenses in the line item ‘impairment loss on oil and gas assets' in Note 7.

	Freehold land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Note 22 - Property, plant and equipment				
Year ended 30 June 2013				
Balance at 1 July 2012, net of accumulated depreciation and impairment	**98.8**	**15.4**	**5,071.5**	**5,185.7**
Additions	**0.4**	**1.3**	**537.5**	**539.2**
Fair value adjustments on prior year acquisitions (Note 44)	**(9.4)**	**-**	**(69.8)**	**(79.2)**
Disposals	**-**	**-**	**(2.1)**	**(2.1)**
Reclassified to finance lease receivable (Note 17)	**-**	**-**	**(48.7)**	**(48.7)**
Reclassified to exploration and evaluation assets (Note 20)	**-**	**-**	**(4.4)**	**(4.4)**
Depreciation expense	**(0.8)**	**(4.0)**	**(210.1)**	**(214.9)**
Impairment loss recognised in profit or loss	**(14.1)**	**-**	**(29.9)**	**(44.0)**
Balance at 30 June 2013, net of accumulated depreciation and impairment	**74.9**	**12.7**	**5,244.0**	**5,331.6**
Balance at 1 July 2012				
Cost (gross carrying amount)	**100.7**	**29.4**	**5,807.3**	**5,937.4**
Accumulated depreciation and impairment	**(1.9)**	**(14.0)**	**(735.8)**	**(751.7)**
Net carrying amount	**98.8**	**15.4**	**5,071.5**	**5,185.7**
Balance at 30 June 2013				
Cost (gross carrying amount)	**91.7**	**30.7**	**6,188.3**	**6,310.7**
Accumulated depreciation and impairment	**(16.8)**	**(18.0)**	**(944.3)**	**(979.1)**
Net carrying amount	**74.9**	**12.7**	**5,244.0**	**5,331.6**
Year ended 30 June 2012				
Balance at 1 July 2011, net of accumulated depreciation and impairment	24.6	16.0	2,240.9	2,281.5
Additions	26.3	1.7	654.2	682.2
Acquisitions through business combinations (Note 44)	48.1	-	2,425.8	2,473.9
Disposals	-	-	(133.7)	(133.7)
Depreciation expense	(0.2)	(2.3)	(115.7)	(118.2)
Balance at 30 June 2012, net of accumulated depreciation and impairment	98.8	15.4	5,071.5	5,185.7
Balance at 1 July 2011				
Cost (gross carrying amount)	26.3	27.7	2,861.1	2,915.1
Accumulated depreciation and impairment	(1.7)	(11.7)	(620.2)	(633.6)
Net carrying amount	24.6	16.0	2,240.9	2,281.5
Balance at 30 June 2012				
Cost (gross carrying amount)	100.7	29.4	5,807.3	5,937.4
Accumulated depreciation and impairment	(1.9)	(14.0)	(735.8)	(751.7)
Net carrying amount	98.8	15.4	5,071.5	5,185.7

Note 22 - Property, plant and equipment (cont'd)

Depreciation expense

Depreciation expense of $214.9 million (2012: $118.2 million) is included in the line item 'depreciation and amortisation' in the statement of profit or loss.

Impairment loss

At 30 June 2013, the consolidated entity reviewed the carrying amount of its property, plant and equipment for indicators of impairment in accordance with the consolidated entity's accounting policy (refer Note 1(v)).

As a result, the recoverable amounts of the consolidated entity's portfolio of power development projects were formally reassessed. The review led to the recognition of an impairment loss of $28.9 million in the Merchant Energy operating segment in respect of certain projects that were unlikely to be developed based upon the expected revenue streams and the costs to develop each project. The impairment loss of $28.9 million has been recorded against plant and equipment.

The recoverable amounts of the consolidated entity's upstream gas assets were also formally reassessed. The review led to the recognition of an impairment loss of $15.1 million in the Upstream Gas operating segment in respect of the Hunter Gas Project of $14.3 million, Camden Gas Project (Camden North expansion) of $0.4 million and the Galilee Gas Project joint venture of $0.4 million. The impairment loss of $15.1 million has been recorded against freehold land and buildings $14.1 million and plant and equipment $1.0 million. Refer to Note 20 for further details.

The impairment loss of $44.0 million (2012: $nil) is included in other expenses in the line item 'impairment loss on property, plant and equipment' in Note 7.

Leased plant and equipment

The net carrying amount of plant and equipment disclosed above includes plant and equipment held under finance leases of $133.8 million (2012: $136.4 million).

Property, plant and equipment under construction

The net carrying amount of plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of $482.8 million (2012: $777.6 million).

	Goodwill $m	Licences $m	Customer relationships and contracts $m	Wind farm development rights $m	Other $m	Total $m
Note 23 - Intangible assets						
Year ended 30 June 2013						
Balance at 1 July 2012, net of accumulated amortisation	**2,639.7**	**301.2**	**185.7**	**42.0**	**3.4**	**3,172.0**
Additions	**-**	**-**	**43.5**	**-**	**-**	**43.5**
Fair value adjustments on prior year acquisitions (Note 44)	**-**	**-**	**-**	**(1.6)**	**-**	**(1.6)**
Amortisation expense	**-**	**-**	**(47.3)**	**-**	**(0.3)**	**(47.6)**
Impairment loss recognised in profit or loss	**-**	**-**	**-**	**(16.9)**	**-**	**(16.9)**
Balance at 30 June 2013, net of accumulated amortisation and impairment	**2,639.7**	**301.2**	**181.9**	**23.5**	**3.1**	**3,149.4**
Balance at 1 July 2012						
Cost (gross carrying amount)	**2,639.7**	**301.2**	**305.4**	**42.0**	**5.1**	**3,293.4**
Accumulated amortisation	**-**	**-**	**(119.7)**	**-**	**(1.7)**	**(121.4)**
Net carrying amount	**2,639.7**	**301.2**	**185.7**	**42.0**	**3.4**	**3,172.0**
Balance at 30 June 2013						
Cost (gross carrying amount)	**2,639.7**	**301.2**	**348.9**	**40.4**	**5.1**	**3,335.3**
Accumulated amortisation and impairment	**-**	**-**	**(167.0)**	**(16.9)**	**(2.0)**	**(185.9)**
Net carrying amount	**2,639.7**	**301.2**	**181.9**	**23.5**	**3.1**	**3,149.4**
Year ended 30 June 2012						
Balance at 1 July 2011, net of accumulated amortisation	2,624.8	301.2	178.3	30.9	2.0	3,137.2
Additions	-	-	41.5	-	1.4	42.9
Acquisitions through business combinations (Note 44)	14.9	-	-	11.1	-	26.0
Amortisation expense	-	-	(34.1)	-	-	(34.1)
Balance at 30 June 2012, net of accumulated amortisation	2,639.7	301.2	185.7	42.0	3.4	3,172.0
Balance at 1 July 2011						
Cost (gross carrying amount)	2,624.8	301.2	263.9	30.9	3.7	3,224.5
Accumulated amortisation	-	-	(85.6)	-	(1.7)	(87.3)
Net carrying amount	2,624.8	301.2	178.3	30.9	2.0	3,137.2
Balance at 30 June 2012						
Cost (gross carrying amount)	2,639.7	301.2	305.4	42.0	5.1	3,293.4
Accumulated amortisation	-	-	(119.7)	-	(1.7)	(121.4)
Net carrying amount	2,639.7	301.2	185.7	42.0	3.4	3,172.0

Note 23 - Intangible assets (cont'd)

Amortisation expense

Amortisation expense of $47.6 million (2012: $34.1 million) is included in the line item 'depreciation and amortisation' in the statement of profit or loss.

Impairment loss

At 30 June 2013, the consolidated entity reviewed the carrying amount of its portfolio of wind farm development projects for indicators of impairment in accordance with the consolidated entity's accounting policy (refer Note 1(v)). As a result, the recoverable amounts of some specific development projects acquired in previous years were formally reassessed. The review led to the recognition of an impairment loss of $16.9 million in the Merchant Energy operating segment in respect of certain projects that were unlikely to be developed based upon the expected revenue streams and the costs to develop each project.

The impairment loss of $16.9 million (2012: $nil) is included in other expenses in the line item 'impairment loss on intangible assets' in Note 7.

Impairment testing for goodwill and intangibles with indefinite useful lives

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

	Goodwill $m	Licences $m	Total intangible assets with indefinite lives $m
Year ended 30 June 2013			
Cash-generating unit			
Retail Energy	**2,053.8**	**-**	**2,053.8**
Merchant Energy	**585.9**	**301.2**	**887.1**
	2,639.7	**301.2**	**2,940.9**
Year ended 30 June 2012			
Cash-generating unit			
Retail Energy	2,053.8	-	2,053.8
Merchant Energy	585.9	301.2	887.1
	2,639.7	301.2	2,940.9

The licences $301.2 million (2012: $301.2 million) to operate hydro-electric power stations within the Merchant Energy CGU have been assessed as having indefinite lives. The factors considered in determining the useful lives of these licences are the long-term nature of the initial licences, the expectation that the licences will be renewed, the insignificant cost of renewal, and compliance with licensing obligations.

Impairment testing for Retail Energy and Merchant Energy

The recoverable amounts for the Retail Energy and Merchant Energy CGUs have been determined using value in use models. The key assumptions in the calculation of value in use are customer numbers, consumption volumes, energy procurement costs and regulatory outcomes.

The estimate of regulatory outcomes is based on actual regulatory decisions for the current price reset period, which are publicly available, together with the consolidated entity's expectations of regulatory decisions beyond the current reset period. Customer numbers and consumption volumes are estimated based on historical experience in various segments, together with marketing strategies for the retention and winning of customers. Energy procurement costs are estimated based on the actual hedge portfolio, together with an estimate of future hedging prices and volumes beyond the period of the actual hedge portfolio.

The recoverable amounts for the Retail Energy and Merchant Energy CGUs have been determined using value in use models, including an appropriate terminal value. Cash flow forecasts are based on Board approved budgets and the most recent five-year plan. The terminal value is based on final year free cash flow capitalised in perpetuity. Discount rates used are the pre-tax weighted average cost of capital of 13.4% (2012: 13.4%).

No impairment loss has been recognised for the Retail Energy or the Merchant Energy CGUs for the year ended 30 June 2013 (2012: $nil).

	2013 $m	2012 $m
Note 24 - Other financial assets (non-current)		
Derivative financial instruments - at fair value (Note 53)		
- Interest rate swap contracts - cash flow hedges	**9.1**	0.1
- Energy derivatives - cash flow hedges	**5.4**	9.9
- Energy derivatives - economic hedges	**323.7**	419.8
	338.2	429.8
Loans to jointly controlled entities - at amortised cost	**1.5**	1.5
Allowance for impairment in value	**(1.5)**	-
	-	1.5
Available-for-sale financial assets - at fair value		
- Shares in listed entities	**0.3**	0.3
	338.5	431.6

For terms and conditions relating to loans to jointly controlled entities, refer to Note 51.

Note 25 - Other assets (non-current)

Prepayments	**17.5**	21.0
Generation dispatch agreements	**9.6**	15.3
Other	**0.3**	0.4
	27.4	36.7

Note 26 - Trade and other payables (current)

Trade payables and accrued expenses	**1,280.2**	1,153.3
Carbon emissions liability	**144.8**	**-**
Goods and services tax payable	**17.2**	3.9
Amounts owing to jointly controlled entities	**1.8**	1.2
	1,444.0	1,158.4

Trade payables are generally settled within 30 days of the date of recognition.
For terms and conditions relating to amounts owing to jointly controlled entities, refer to Note 51.

Note 27 - Borrowings (current)

At amortised cost		
Bank loans - secured (Note 31)	**33.0**	614.5
Other loans - unsecured	**11.1**	-
Finance lease liabilities - secured (Note 40)	**1.3**	1.5
	45.4	616.0

	2013 $m	2012 $m
Note 28- Provisions (current)		
Employee benefits	**77.4**	77.5
Environmental restoration (Note 32)	**0.8**	5.3
Restructuring (Note 32)	**-**	2.2
Onerous contracts (Note 32)	**36.7**	47.3
Other (Note 32)	**0.1**	-
	115.0	132.3

Note 29 - Other financial liabilities (current)

	2013 $m	2012 $m
Derivative financial instruments - at fair value (Note 53)		
- Interest rate swap contracts - cash flow hedges	**29.6**	3.0
- Forward foreign exchange contracts - cash flow hedges	**-**	10.6
- Energy derivatives - cash flow hedges	**7.9**	27.0
- Energy derivatives - economic hedges	**362.2**	368.1
	399.7	408.7
Deferred consideration (Note 44)	**30.7**	30.0
Contingent consideration (Note 44)	**1.6**	3.1
	432.0	441.8

Note 30 - Other liabilities (current)

	2013 $m	2012 $m
Deferred revenue		
- Government assistance	**-**	240.1
- Other	**0.8**	10.2
	0.8	250.3

Government assistance

The Clean Energy Act 2011 legislation established the framework for the Australian carbon price mechanism which commenced on 1 July 2012. To assist the electricity generation sector transition to lower carbon emissions and to maintain secure energy supplies, the Government established the Energy Security Fund (ESF).

On 22 June 2012, Great Energy Alliance Corporation Pty Limited (GEAC), a subsidiary of AGL Energy Limited and the owner of the Loy Yang A power station, received a coal-fired generation assistance cash payment of $240.1 million from the Australian Government under the ESF.

In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* , the $240.1 million was recognised in the statement of financial position as deferred revenue at 30 June 2012 and has been recognised in profit or loss during the 2013 financial year, reducing the impact of the carbon emissions expense.

Note 31 - Borrowings (non-current)

	2013 $m	2012 $m
At amortised cost		
USD senior notes - unsecured	**347.5**	337.5
Subordinated notes - unsecured	**650.0**	650.0
Bank loans - secured	**1,281.3**	1,835.8
Bank loans - unsecured	**600.0**	750.0
Other loans - unsecured	**188.9**	150.0
Finance lease liabilities - secured (Note 40)	**15.2**	14.5
Deferred borrowing costs	**(19.3)**	(41.8)
	3,063.6	3,696.0

Note 31 - Borrowings (non-current) (cont'd)

Financing facilities

The consolidated entity has access to the following committed bank facilities:

	2013 $m	2012 $m
Total facilities		
USD senior notes -unsecured	**337.8**	337.8
Subordinated notes - unsecured	**650.0**	650.0
Bank loans - secured	**1,314.3**	2,450.3
Bank loans - unsecured	**1,150.0**	1,000.0
Other Loans - unsecured	**200.0**	200.0
Bank guarantees	**665.4**	600.0
	4,317.5	5,238.1
Amounts used		
USD senior notes -unsecured	**337.8**	337.8
Subordinated Notes - unsecured	**650.0**	650.0
Bank loans - secured	**1,314.3**	2,450.3
Bank loans - unsecured	**600.0**	750.0
Other Loans - unsecured	**200.0**	150.0
Bank guarantees	**451.1**	468.8
	3,553.2	4,806.9
Amounts unused	**764.3**	431.2

USD senior notes

On 8 September 2010, AGL Energy Limited issued US$300.0 million of fixed rate unsecured senior notes in the US private placement market, comprising two tranches of 12 year and 15 year maturities for US$165.0 million and US$135.0 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$300.0 million, the notes were converted back to A$337.8 million through cross currency interest rate swaps.

Subordinated notes

On 4 April 2012, AGL Energy Limited issued $650.0 million of unsecured AGL Energy Subordinated Notes in the Australian retail bond market. The notes have a 27 year maturity with a non-recall period of seven years. The notes will generally be redeemed for their face value plus any outstanding interest. Interest on these notes is charged at market rates plus a margin of 3.80% and is paid on a quarterly basis.

Bank loans - secured

At 30 June 2013, the consolidated entity had $1,314.3 million of secured bank debt from the acquisition of Great Energy Alliance Corporation Pty Limited on 29 June 2012. This amount comprises amortising facilities with the following maturities: Amortiser A and B in November 2015 and the CPI Bonds May 2027.

On 13 August 2012, the consolidated entity repaid $978.1 million of non-amortising facilities. During the year the consolidated entity repurchased CPI bonds with a face value of $119.6 million.

Bank loans - unsecured

On 20 July 2011, AGL Energy Limited entered into a $1.0 billion syndicated loan facility, comprising a $600.0 million three year term loan tranche and a $400.0 million five year revolving tranche. As at 30 June 2013, $600.0 million of the facility had been utilised.

On the 18 December 2012, AGL Energy Limited entered into a $150.0m two year revolving facility. As at 30 June 2013 the facility was undrawn.

Other loans

On 5 July 2011, AGL Energy Limited entered into a $200.0 million loan facility with EKF, the Danish export credit agency. The funds were used to partially fund the consolidated entity's 50% interest in the construction of the Macarthur Wind Farm. Amortising over 18 years, the loan matures in 2031. As at 30 June 2013 the facility was fully utilised.

	2013 $m	2012 $m
Note 32 - Provisions (non-current)		
Employee benefits	**36.1**	37.2
Environmental restoration	**117.8**	105.1
Onerous contracts	**95.8**	123.5
	249.7	265.8

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

	Environmental restoration $m	Restructuring $m	Onerous contracts $m	Other $m	Total $m
Year ended 30 June 2013					
Balance at beginning of financial year	**110.4**	**2.2**	**170.8**	**-**	**283.4**
Additional provisions recognised	**8.6**	**-**	**-**	**0.1**	**8.7**
Provisions utilised	**(5.5)**	**(2.2)**	**(51.1)**	**-**	**(58.8)**
Unwinding of discount	**5.1**	**-**	**12.8**	**-**	**17.9**
Balance at end of financial year	**118.6**	**-**	**132.5**	**0.1**	**251.2**
Current	**0.8**	**-**	**36.7**	**0.1**	**37.6**
Non-current	**117.8**	**-**	**95.8**	**-**	**213.6**
	118.6	**-**	**132.5**	**0.1**	**251.2**

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

Restructuring
A restructuring provision is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

	2013 $m	2012 $m
Note 33 - Other financial liabilities (non-current)		
Derivative financial instruments - at fair value (Note 53)		
- Cross currency swap contracts - cash flow and fair value hedges	**2.9**	20.4
- Interest rate swap contracts - cash flow hedges	**40.3**	191.0
- Energy derivatives - cash flow hedges	**6.7**	5.3
	49.9	216.7
Deferred consideration (Note 44)	**214.4**	218.2
Contingent consideration (Note 44)	**-**	1.4
	264.3	436.3

Note 34 - Other liabilities (non-current)

	2013 $m	2012 $m
Defined benefit superannuation plan liability (Note 49)	**124.5**	223.6
Deferred revenue - other	**18.0**	12.5
Other	**15.5**	12.5
	158.0	248.6

	2013 $m	2012 $m
Note 35 - Issued capital		
554,210,005 fully-paid ordinary shares (2012: 545,861,083)	**5,353.6**	5,227.3

	2013 Number	2013 $m	2012 Number	2012 $m
Movement in fully-paid ordinary shares				
Balance at beginning of financial year	**545,861,083**	**5,227.3**	461,311,732	4,244.6
Shares issued under AGL Dividend Reinvestment Plan (a)(b)	**8,348,922**	**126.3**	6,505,209	92.4
Shares issued under the institutional and retail rights offers	**-**	**-**	78,044,142	905.3
Transaction costs relating to the institutional and retail rights offers		**-**		(21.5)
Deferred tax credit recognised directly in equity		**-**		6.5
Balance at end of financial year	**554,210,005**	**5,353.6**	545,861,083	5,227.3

(a) On 27 September 2012, 4,307,848 ordinary shares were issued at $14.49 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

(b) On 4 April 2013, 4,041,074 ordinary shares were issued at $15.82 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Parent Entity does not have a limited amount of authorised capital and issued shares do not have a par value.

	2013 $m	2012 $m
Note 36 - Reserves		
Investments revaluation	**(0.1)**	-
Employee equity benefits	**3.6**	2.6
Hedging	**(5.4)**	19.4
Other	**-**	-
	(1.9)	22.0
Movement in reserves		
Investments revaluation reserve		
Balance at beginning of financial year	**-**	-
Loss on revaluation of available-for-sale financial assets	**(0.1)**	-
Deferred income tax	**-**	-
Balance at end of financial year	**(0.1)**	-

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

	2013 $m	2012 $m
Employee equity benefits reserve		
Balance at beginning of financial year	**2.6**	0.6
Share-based payment plans expense	**7.1**	6.4
Purchase of shares on-market under AGL Share Reward Plan	**(1.5)**	(1.1)
Purchase of shares on-market under AGL Long-Term Incentive Plan	**(4.6)**	(3.3)
Balance at end of financial year	**3.6**	2.6

The employee equity benefits reserve is used to record the value of share-based payments to employees, including key management personnel, as part of their remuneration. Refer to Note 50 for further information on share-based payment plans.

	2013 $m	2012 $m
Hedging reserve		
Balance at beginning of financial year	**19.4**	(97.3)
Gain arising on changes in fair value of cash flow hedges	**40.2**	14.1
Income tax related to gains recognised in other comprehensive income	**(12.0)**	(4.2)
Cumulative (gain)/loss arising on changes in fair value of cash flow hedges reclassified to profit or loss	**(82.8)**	115.9
Income tax related to amounts reclassified to profit or loss	**24.8**	(34.8)
Transferred to initial carrying amount of hedged item	**7.1**	40.3
Income tax related to amounts transferred to initial carrying amount of hedged item	**(2.1)**	(12.1)
Share of (loss)/gain in reserve attributable to an associate	**-**	(38.7)
Cumulative loss reclassified to profit or loss of pre-existing equity interest in an acquired entity	**-**	36.2
Balance at end of financial year	**(5.4)**	19.4

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss on changes in fair value of the hedging instruments will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item.

	2013 $m	2012 $m
Other reserve		
Balance at beginning of financial year	**-**	(0.4)
Share of gain in reserve attributable to an associate	**-**	0.3
Cumulative loss reclassified to profit or loss of pre-existing equity interest in an acquired entity	**-**	0.1
Balance at end of financial year	**-**	-

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

AGL Energy Limited and Subsidiaries
Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

	2013 $m	2012 $m
Note 37 - Retained earnings		
Balance at beginning of financial year	**1,883.6**	2,194.0
Adjustment on correction of unbilled distribution liability, net of income tax (Note 3)	**-**	(79.9)
Restated balance at beginning of financial year	**1,883.6**	2,114.1
Profit for the year attributable to owners of AGL Energy Limited	**388.7**	114.9
Dividends paid or provided (Note 11)	**(340.2)**	(278.2)
Actuarial gain/(loss) on defined benefit plans, net of tax	**55.2**	(49.0)
Share of actuarial loss on defined benefit plans attributable to an associate	**-**	(18.2)
Balance at end of financial year	**1,987.3**	1,883.6

	2013	2012
Note 38 - Earnings per share (EPS)		
Statutory earnings per share		
Basic earnings per share	**70.7 cents**	23.8 cents
Diluted earnings per share	**70.6 cents**	23.8 cents
Underlying earnings per share		
Basic earnings per share	**108.8 cents**	100.0 cents
Diluted earnings per share	**108.7 cents**	99.9 cents

	2013 $m	2012 $m
Earnings used in calculating basic and diluted earnings per share		
Profit for the year attributable to owners of AGL Energy Limited	**388.7**	114.9
Statutory earnings used to calculate basic and diluted EPS	**388.7**	114.9
Significant expense items after income tax	**289.6**	155.1
(Gain)/loss in fair value of financial instruments after income tax	**(80.0)**	212.0
Underlying earnings used to calculate basic and diluted EPS	**598.3**	482.0

	2013 Number	2012 Number
Weighted average number of ordinary shares		
Number of ordinary shares used in the calculation of basic EPS pre adjusting for bonus element of the rights issue	**550,104,613**	466,950,538
Bonus element of the rights issue	**-**	15,288,603
Number of ordinary shares used in the calculation of basic EPS	**550,104,613**	482,239,141
Effect of dilution - LTIP share performance rights	**443,510**	109,855
Number of ordinary shares used in the calculation of diluted EPS	**550,548,123**	482,348,996

	2013 $m	2012 $m
Note 39 - Capital and other expenditure commitments		
Capital expenditure commitments		
Property, plant and equipment		
Not later than one year	**73.8**	28.8
Later than one year and not later than five years	**33.1**	9.2
Later than five years	**-**	-
	106.9	38.0
Consolidated entity's share of joint venture operations capital commitments		
Not later than one year	**29.3**	94.0
Later than one year and not later than five years	**6.5**	7.8
Later than five years	**-**	-
	35.8	101.8
Consolidated entity's share of associates' and jointly controlled entities' capital commitments		
Not later than one year	**60.1**	115.7
Later than one year and not later than five years	**-**	20.5
Later than five years	**-**	-
	60.1	136.2
Other expenditure commitments		
Exploration and evaluation expenditure		
Not later than one year	**0.1**	0.5
Later than one year and not later than five years	**-**	2.3
Later than five years	**-**	2.3
	0.1	5.1
Consolidated entity's share of joint venture operations other expenditure commitments		
Not later than one year	**0.8**	1.4
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
	0.8	1.4
Other - Information technology services		
Not later than one year	**43.8**	40.8
Later than one year and not later than five years	**39.1**	78.8
Later than five years	**-**	-
	82.9	119.6

Note 40 - Lease commitments

	Minimum lease payments		**Present value of minimum lease payments**	
	2013	**2012**	**2013**	**2012**
Finance lease liabilities	**$m**	**$m**	**$m**	**$m**
Not later than one year	**1.5**	1.7	**1.3**	1.5
Later than one year and not later than five years	**1.2**	2.0	**1.1**	1.8
Later than five years	**178.4**	178.4	**14.1**	12.7
Minimum future lease payments *	**181.1**	182.1	**16.5**	16.0
Less future finance charges	**(164.6)**	(166.1)	**-**	-
Present value of minimum lease payments	**16.5**	16.0	**16.5**	16.0
Included in the financial statements as:				
Current borrowings (Note 27)			**1.3**	1.5
Non-current borrowings (Note 31)			**15.2**	14.5
			16.5	16.0

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

Finance leases primarily relate to the land and property, plant and equipment affixed to that land at the Kiewa and Rubicon hydro electric schemes. These leases have terms of 60 years and payments are not required under the lease agreements until the year 2028.

	2013	**2012**
	$m	**$m**
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Not later than one year	**15.8**	15.5
Later than one year and not later than five years	**64.0**	50.2
Later than five years	**77.4**	14.5
	157.2	80.2

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

Note 41 - Contingent liabilities and contingent assets

Contingent liabilities

Details of 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) 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.

Contingent assets

There are no contingent assets for the consolidated entity.

	2013 $000	**2012 $000**
Note 42 - Remuneration of auditors		
Auditor of the Parent Entity		
Audit and review of financial reports	**1,847**	1,315
Other regulatory audit services	**347**	44
Other assurance services	**159**	36
Other accounting advice and services	**107**	664
	2,460	2,059

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu.

Note 43 - Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2013 %	2012 %
AGL Energy Limited	(a)	Australia		
Subsidiaries				
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL DPS Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
AGL Energy Limited		New Zealand	**100**	100
AGL Energy Sales & Marketing Limited	(a)	Australia	**100**	100
AGL Energy Services Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Hunter) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (PNG) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Sydney) Pty Limited	(a)	Australia	**100**	100
AGL Gas Storage Pty Ltd	(a)	Australia	**100**	100
AGL Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Generation Proprietary Limited		Australia	**99.99**	99.99
AGL Gloucester MG Pty Ltd	(a)	Australia	**100**	100
AGL HP1 Pty Limited	(a)	Australia	**100**	100
AGL HP2 Pty Limited	(a)	Australia	**100**	100
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**100**	100
AGL Loy Yang Pty Ltd		Australia	**99.99**	99.99
(formerly Loy Yang Power Management Pty Limited)				
AGL Loy Yang Marketing Pty Ltd		Australia	**99.99**	99.99
(formerly Loy Yang Marketing Management Company Pty Limited)				
AGL Loy Yang Partnership		Australia	**99.99**	99.99
(formerly Loy Yang Power Partnership)				
Loy Yang Projects Pty Ltd		Australia	**99.99**	99.99
(formerly Loy Yang Power Projects Pty Limited)				
AGL LYP 1 Pty Ltd		Australia	**99.99**	99.99
(formerly LYP Partner 1 Pty Ltd)				
AGL LYP 2 Pty Ltd		Australia	**99.99**	99.99
(formerly LYP Partner 2 Pty Ltd)				
AGL LYP 3 Pty Ltd		Australia	**99.99**	99.99
(formerly LYP Partner 3 Pty Ltd)				
AGL LYP 4 BV		Netherlands	**99.99**	99.99
(formerly LYP Partner 4 BV)				
AGL Power Generation Pty Limited	(a)	Australia	**100**	100
AGL Power Generation (Wind) Pty Limited	(a)	Australia	**100**	100
AGL PV Solar Holdings Pty Limited		Australia	**100**	100
AGL PV Solar Developments Pty Limited		Australia	**100**	100
AGL Retail Energy Limited	(a)	Australia	**100**	100
AGL SA Generation Pty Limited	(a)	Australia	**100**	100
AGL Sales Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland) Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland Electricity) Pty Limited	(a)	Australia	**100**	100
AGL (SG) Operations Pty Limited	(a)	Australia	**100**	100

Note 43 - Subsidiaries (cont'd)

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2013 %	2012 %
AGL (SG) (Camden) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)	Australia	**100**	100
AGL Share Plan Pty Limited		Australia	**100**	100
AGL South Australia Pty Limited	(a)	Australia	**100**	100
AGL Southern Hydro (NSW) Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Holdings Pty Limited	(a)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Upstream Infrastructure Investments Pty Limited	(a)	Australia	**100**	100
AGL Upstream Investments Pty Limited	(a)	Australia	**100**	100
AGL Utility Services Pty Limited	(a)	Australia	**100**	100
AGL Wholesale Gas Limited	(a)	Australia	**100**	100
AGL Wholesale Gas (SA) Pty Limited	(a)	Australia	**100**	100
Australia Plains Wind Farm Pty Ltd	(a)	Australia	**100**	100
Barn Hill Wind Farm Pty Ltd	(a)	Australia	**100**	100
Ben Lomond Wind Farm Pty Ltd	(a)	Australia	**100**	100
Box Hill Wind Farm Pty Limited	(a)	Australia	**100**	100
Coopers Gap Wind Farm Pty Ltd	(a)	Australia	**100**	100
Crows Nest Wind Farm Pty Ltd	(a)	Australia	**100**	100
Dual Fuel Systems Pty Limited	(a)	Australia	**100**	100
GEAC Operations Pty Limited		Australia	**99.99**	99.99
Geogen Victoria Pty Ltd	(a)	Australia	**100**	100
Great Energy Alliance Corporation Pty Limited		Australia	**99.99**	99.99
H C Extractions Pty Limited	(a)	Australia	**100**	100
Highfields Wind Farm Pty Limited	(a)	Australia	**100**	100
Loy Yang Marketing Holdings Pty Limited		Australia	**99.99**	99.99
Macarthur Wind Farm Pty Ltd	(a)	Australia	**100**	100
Mosaic Oil NZ Limited		New Zealand	**100**	100
Powerdirect Pty Ltd	(a)	Australia	**100**	100
Silverton Wind Farm Developments Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Holdings Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Transmission Pty Limited	(a)	Australia	**100**	100
The Australian Gas Light Company	(a)	Australia	**100**	100
Victorian Energy Pty Limited	(a)	Australia	**100**	100
Worlds End Wind Farm Pty Ltd	(a)	Australia	**100**	100

(a) These wholly-owned subsidiaries are parties to a Deed of Cross Guarantee as detailed in Note 47.

Note 44 - Acquisition of subsidiaries and businesses

2013

There were no acquisitions made during the year ended 30 June 2013.

2012

Acquisition of Great Energy Alliance Corporation Pty Limited

On 29 June 2012, the consolidated entity completed the acquisition of the remaining 67.46% of the voting shares in, and loan notes issued by, Great Energy Alliance Corporation Pty Limited (GEAC), increasing its ownership from 32.54% to 100%. The consolidated entity also acquired 100% of the voting shares in Loy Yang Marketing Holdings Pty Limited.

The consideration paid was $598.0 million, and comprised the fair value of the consolidated entity's pre-existing interest in GEAC of $150.0 million, deferred consideration payable of $248.2 million and cash of $199.8 million.

GEAC owns the 2,210 MW Loy Yang A power station and the adjacent brown coal mine which supplies all the coal required to meet the current and future operating requirements of the power station. Loy Yang A power station is Victoria's largest power station, producing 30 per cent of the State's electricity requirement and is one of the lowest cost generators in the National Electricity Market.

During the year ended 30 June 2013, the consolidated entity paid $52.9 million in full settlement of stamp duty to the Victorian State Revenue Office in respect of the acquisition of GEAC. The $52.9 million has been expensed in profit or loss and is included in other expenses in the line item 'merger and acquisition related costs' in Note 7.

Acquisition-related costs amounting to $12.9 million were excluded from the consideration paid and were recognised as an expense in profit or loss in the 2012 financial year.

Fair value of pre-existing interest in GEAC

Prior to completing the GEAC acquisition, AGL’s 32.54% interest in GEAC was accounted for as an equity investment. Under AASB 3 *Business Combinations,* the pre-existing equity interest was required to be remeasured at the acquisition date fair value with the resulting gain or loss recognised in profit or loss.

The remeasurement to fair value of AGL's existing 32.54% interest in GEAC resulted in a loss of $120.7 million, which was included in other expenses in Note 7.

	$m
Carrying value of equity accounted investment at the acquisition date	144.2
Carrying value of loan notes at the acquisition date	126.5
Carrying value of pre-existing interest	270.7
Fair value of pre-existing interest at the acquisition date	150.0
Loss on remeasurement to fair value of pre-existing interest	120.7

AASB 3 also required that any amounts previously recognised in other comprehensive income were reclassified to profit or loss. AGL’s share of losses recognised in the hedge reserve and other reserve at date of acquisition of $36.3 million were reclassified to profit or loss in the 2012 financial year and included in other expenses in Note 7.

	$m
Share of loss in hedge reserve reclassified	36.2
Share of loss in other reserve reclassified	0.1
Share of losses reclassified to profit or loss	36.3

Deferred consideration

As part of the purchase agreement with four of the previous shareholders of GEAC, a deferred consideration arrangement was agreed to. The consolidated entity will pay the four parties the deferred consideration in the form of an annuity stream over 15 years.

As at the acquisition date, the fair value of the deferred consideration was estimated to be $248.2 million.

	$m
Balance at 1 July 2012	248.2
Unwinding of discount on deferred consideration	26.9
Deferred consideration paid	(30.0)
Balance at 30 June 2013	245.1

The unwinding of discount on deferred consideration of $26.9 million has been included in finance costs in Note 8.

Note 44 - Acquisition of subsidiaries and businesses (cont'd)

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:

Assets acquired and liabilities assumed	GEAC provisional fair value on acquisition $m	Fair value amendment $m	GEAC restated fair value on acquisition $m
Current assets			
Cash and cash equivalents	439.3	-	439.3
Trade and other receivables	67.8	-	67.8
Inventories	36.5	(27.1)	9.4
Other financial assets	50.1	-	50.1
Other assets	4.5	-	4.5
Total current assets	598.2	(27.1)	571.1
Non-current assets			
Inventories	-	24.9	24.9
Property, plant and equipment	2,473.6	(79.2)	2,394.4
Deferred tax assets	557.7	239.6	797.3
Other financial assets	435.6	(120.0)	315.6
Total non-current assets	3,466.9	65.3	3,532.2
Total assets	4,065.1	38.2	4,103.3
Current liabilities			
Trade and other payables	87.0	(2.0)	85.0
Borrowings	616.0	8.8	624.8
Provisions	51.4	-	51.4
Other financial liabilities	39.2	-	39.2
Other liabilities	240.1	-	240.1
Total current liabilities	1,033.7	6.8	1,040.5
Non-current liabilities			
Borrowings	2,055.0	29.4	2,084.4
Provisions	102.4	-	102.4
Other financial liabilities	153.4	-	153.4
Other liabilities	122.6	2.0	124.6
Total non-current liabilities	2,433.4	31.4	2,464.8
Total liabilities	3,467.1	38.2	3,505.3
Fair value of identifiable net assets acquired	598.0	-	598.0
Goodwill arising on acquisition	-	-	-
Purchase consideration	598.0	-	598.0
Purchase consideration			
Cash paid	199.8	-	199.8
Fair value of pre-existing interest	150.0	-	150.0
Deferred consideration	248.2	-	248.2
Total consideration	598.0	-	598.0

The initial accounting for the acquisition of GEAC had only been provisionally determined in the financial statements for the year ended 30 June 2012.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the fair value of net assets acquired, then the acquisition accounting is revised. Also for tax purposes, the tax values of GEAC's assets are required to be reset based on market values of the assets.

During the year, the acquisition accounting was finalised and the adjustments to the fair value of the net assets acquired are set out in the table above.

Note 44 - Acquisition of subsidiaries and businesses (cont'd)

Acquisition of Silverton Wind Farm Holdings Pty Ltd

On 30 April 2012, AGL Energy Limited acquired the development rights for the Silverton wind farm in New South Wales through the acquisition of 100% of the voting shares in Silverton Wind Farm Holdings Pty Ltd. The consideration was paid in cash.

The wind farm site is located near the township of Silverton, approximately 25 kilometres north-west of Broken Hill. Silverton wind farm has development approval for 282 wind turbines in Stage 1 and concept approval for a further 316 wind turbines in subsequent stages. Subject to electricity network capacity, the consolidated entity will develop up to 300 MW in Stage 1, with the option for subsequent stages to bring the site capacity up to 1,000 MW.

Acquisition-related costs amounting to $0.7 million were excluded from the consideration paid and were recognised as an expense in profit or loss in the 2012 financial year, within the 'other expenses' line item.

Acquisition of EKO Energy solar business

On 25 July 2011, the consolidated entity acquired the Victorian based solar photovoltaic business, EKO Energy, from the privately owned company, Rezeko Pty Ltd. The consideration paid comprised cash and contingent consideration.

EKO Energy specialises in solar systems, from design through to installation, for both residential and commercial properties in Victoria, South Australia, Queensland and New South Wales.

Acquisition-related costs amounting to $0.6 million were excluded from the consideration paid and were recognised as an expense in profit or loss in the 2012 financial year, within the 'other expenses' line item.

Contingent consideration	**$m**
Balance at 1 July 2012	4.5
Unwinding of discount on contingent consideration	0.2
Contingent consideration paid	(3.1)
Balance at 30 June 2013	1.6

The unwinding of discount on contingent consideration of $0.2 million has been included in finance costs in Note 8.

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

Assets acquired and liabilities assumed	**Others provisional fair value on acquisition $m**	**Fair value amendment $m**	**Others restated fair value on acquisition $m**
Assets			
Trade and other receivables	0.1	-	0.1
Property, plant and equipment	0.3	-	0.3
Intangible assets	11.1	(1.6)	9.5
Deferred tax assets	-	1.6	1.6
Total assets	11.5	-	11.5
Liabilities			
Provisions	0.1	-	0.1
Total liabilities	0.1	-	0.1
Fair value of identifiable net assets acquired	11.4	-	11.4
Goodwill arising on acquisition	14.9	-	14.9
Purchase consideration	26.3	-	26.3
Purchase consideration			
Cash paid	22.0	-	22.0
Contingent consideration	4.3	-	4.3
Total consideration	26.3	-	26.3

The goodwill arising on the acquisition of EKO Energy was attributable to the benefit of expected future market development opportunities and the technical skills of the workforce. The goodwill was not expected to be deductible for tax purposes.

Note 44 - Acquisition of subsidiaries and businesses (cont'd)

	2013 $m	2012 $m
Net cash outflow/(inflow) on acquisitions		
Cash paid	**33.1**	221.8
Less: cash and cash equivalent balances acquired	**-**	(439.3)
	33.1	(217.5)

Note 45 - Disposal of subsidiaries

2013

There were no disposals of subsidiaries made during the year ended 30 June 2013.

2012

There were no disposals of subsidiaries made during the year ended 30 June 2012.

Note 46 - Jointly controlled operations and assets

Joint venture/area	Principal activities	Interest 2013 %	Interest 2012 %
Bowen Basin - Queensland			
Moranbah Gas Project - PL 191, PL 196, PL 222, PL 223, PL 224 & ATP 1103	Gas production and exploration	**50**	50
Spring Gully Project - ATP 592P, PL 195 & PL 203	Gas production and exploration	**0.75**	0.75
Spring Gully Project - PL 204	Gas production	**0.0375**	0.04
Galilee Basin - Queensland			
Galilee Gas Project - ATP 529P	Gas exploration	**50**	50
Surat Basin - Queensland			
ATP 471P (Bainbilla Block)	Oil and gas exploration	**75.252**	75.252
ATP 471P (Spring Grove #2 sole risk)	Oil and gas exploration	**52.752**	52.752
ATP 471P (Weribone)	Oil and gas exploration	**28.71**	28.71
PL 1 (Cabawin)	Oil production	**15**	15
PL 30 (Riverslea)	Oil production	**10**	10
PL 56	Oil production	**16**	16
PL 74 (Major)	Oil production	**16**	16
PL 441 (Downlands) (a)	Oil and gas production	**-**	75.252
Cooper / Eromanga Basin - Queensland			
ATP 934P (under application)	Oil and gas exploration	**20**	20
ATP 1056P	Oil exploration	**40**	40
Taranaki Basin - New Zealand			
PEP 51149 (a)	Oil and gas exploration	**-**	18.575
PEP 52181 (a)	Oil and gas exploration	**-**	42.857
PEP 53247 (a)	Oil and gas exploration	**-**	75
Others			
North Queensland Energy Joint Venture	Sale of gas and electricity	**50**	50
Macarthur Wind Farm Joint Venture	Wind farm construction and owner	**50**	50
Lytton Joint Venture	Crude oil storage terminal	**33.333**	33.333

(a) Interest disposed during the year.

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

	2013 $m	2012 $m
Current assets		
Cash and cash equivalents	**29.7**	75.0
Trade and other receivables	**10.5**	10.3
Inventories	**1.7**	0.2
Other assets	**1.2**	2.6
Total current assets	**43.1**	88.1
Non-current assets		
Exploration and evaluation assets	**11.3**	18.7
Oil and gas assets	**336.2**	293.8
Property, plant and equipment	**490.6**	387.2
Total non-current assets	**838.1**	699.7
Total assets	**881.2**	787.8

The consolidated entity's share of capital expenditure commitments and contingent liabilities of jointly controlled operations are disclosed in Notes 39 and 41 respectively.

Note 47 - Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned subsidiaries identified in Note 43 are relieved from the Corporations Act 2001 requirements to prepare and lodge an audited financial report, and a directors' report.

As a condition of the Class Order, the Parent Entity and each of the identified subsidiaries (the Closed Group) have entered into 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.

Set out below is the consolidated statement of profit or loss, statement of comprehensive income, statement of financial position and a summary of movements in retained earnings of the entities party to the Deed of Cross Guarantee.

	Closed Group	
	2013	**2012**
	$m	**$m**
Statement of profit or loss		
Revenue	**8,028.9**	7,032.2
Other income	**-**	2.9
Expenses	**(7,601.7)**	(6,612.1)
Share of profits of associates and jointly controlled entities accounted for using the equity method	**26.3**	16.8
Profit before net financing costs, depreciation and amortisation	**453.5**	439.8
Depreciation and amortisation	**(194.7)**	(156.0)
Profit before net financing costs	**258.8**	283.8
Finance income	**152.2**	71.1
Finance costs	**(148.2)**	(86.7)
Net financing costs	**4.0**	(15.6)
Profit before tax	**262.8**	268.2
Income tax expense	**(19.8)**	(48.0)
Profit for the year	**243.0**	220.2
Statement of comprehensive income		
Profit for the year	**243.0**	220.2
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit plans	**39.9**	(70.0)
Share of other comprehensive income of associates	**-**	(18.2)
Income tax relating to items that will not be reclassified subsequently	**(12.0)**	21.0
	27.9	(67.2)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	**(47.7)**	120.6
Available-for-sale financial assets	**(0.1)**	-
Share of other comprehensive income of associates	**-**	(38.4)
Reclassification adjustments of an associate transferred to profit or loss on acquisition of entity	**-**	36.3
Income tax relating to items that may be reclassified subsequently	**11.6**	(51.1)
	(36.2)	67.4
Other comprehensive income for the year, net of income tax	**(8.3)**	0.2
Total comprehensive income for the year	**234.7**	220.4

Note 47 - Deed of cross guarantee (cont'd)

	Closed Group	
	2013	**2012**
	$m	**$m**
Statement of financial position		
Current assets		
Cash and cash equivalents	**163.6**	1,407.4
Trade and other receivables	**1,633.6**	1,392.5
Inventories	**110.5**	134.6
Other financial assets	**3.2**	153.1
Other assets	**63.5**	45.5
Total current assets	**1,974.4**	3,133.1
Non-current assets		
Trade and other receivables	**47.3**	-
Investments accounted for using the equity method	**33.1**	31.6
Exploration and evaluation assets	**349.0**	651.8
Oil and gas assets	**495.1**	483.8
Property, plant and equipment	**2,174.6**	1,974.7
Intangible assets	**2,312.2**	2,334.8
Deferred tax assets	**-**	53.4
Other financial assets	**3,441.4**	2,496.4
Other assets	**0.3**	0.4
Total non-current assets	**8,853.0**	8,026.9
Total assets	**10,827.4**	11,160.0
Current liabilities		
Trade and other payables	**1,171.5**	1,047.5
Borrowings	**5.4**	-
Provisions	**73.6**	80.7
Current tax liabilities	**154.6**	11.0
Other financial liabilities	**424.4**	483.0
Other liabilities	**0.5**	8.6
Total current liabilities	**1,830.0**	1,630.8
Non-current liabilities		
Borrowings	**1,643.2**	1,865.0
Provisions	**164.9**	163.4
Deferred tax liabilities	**99.4**	349.0
Other financial liabilities	**243.9**	282.7
Other liabilities	**79.6**	124.5
Total non-current liabilities	**2,231.0**	2,784.6
Total liabilities	**4,061.0**	4,415.4
Net assets	**6,766.4**	6,744.6
Equity		
Issued capital	**5,353.6**	5,227.3
Reserves	**(3.3)**	32.0
Retained earnings	**1,416.1**	1,485.3
Total equity	**6,766.4**	6,744.6
Summary of movements in retained earnings		
Retained earnings at beginning of financial year	**1,485.3**	1,690.4
Adjustment on correction of unbilled distribution liability, net of income tax	**-**	(79.9)
Restated balance at beginning of financial year	**1,485.3**	1,610.5
Profit for the year	**243.0**	220.2
Dividends paid or provided	**(340.2)**	(278.2)
Actuarial gain/(loss) on defined benefit plans, net of tax	**28.0**	(49.0)
Share of actuarial loss on defined benefit plans attributable to associates	**-**	(18.2)
Retained earnings at end of financial year	**1,416.1**	1,485.3

Note 48 - Key management personnel disclosures

Key management personnel

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

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

Name	Position	Date of change in position
Non-Executive Directors		
Jeremy Maycock	Chairman, Non-executive Director	
Les Hosking	Non-executive Director	
Graeme Hunt	Non-executive Director	Appointed 1 September 2012
Belinda Hutchinson	Non-executive Director	
Sandra McPhee	Non-executive Director	
Max Ould	Non-executive Director	Retired 23 October 2012
Bruce Phillips	Non-executive Director	
John Stanhope	Non-executive Director	
Executive Directors		
Michael Fraser	Managing Director and Chief Executive Officer	
Executives		
Anthony Fowler	Group General Manager Merchant Energy	
Ken Hodgson	Group General Manager Retail Energy	Retired 14 February 2013
Stephen Mikkelsen	Chief Financial Officer	Ceased 13 November 2012
	Group General Manager Retail Energy	Appointed 2 January 2013
Michael Moraza	Group General Manager Upstream Gas	
Brett Redman	Chief Financial Officer	Appointed 14 November 2012

The aggregate remuneration made to key management personnel of the consolidated entity is set out below:

	2013	2012
	$	$
Remuneration by category		
Short-term employee benefits	**9,400,312**	10,261,844
Post-employment benefits	**783,509**	817,223
Share-based payments	**3,739,921**	4,080,013
	13,923,742	15,159,080

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

Note 48 - Key management personnel disclosures (cont'd)

Share performance rights over ordinary shares

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

2013 **Share performance rights**	**Balance at 1 July 2012**	**Deposited (deducted) during the year (a)**	**Notionally granted during the year (b)**	**Vested during the year**	**Forfeited during the year**	**Balance at 30 June 2013**
Managing Director and CEO						
Michael Fraser						
• TSR share bank account	**31,132**	**150,012**	**-**	**(72,457)**	**-**	**108,687**
• EBIT/Funds Employed share bank account	**(23,831)**	**125,010**	**-**	**(40,472)**	**-**	**60,707**
• Notional grant 27/8/12	**-**	**-**	**143,913**	**-**	**-**	**143,913**
• Notional grant 22/6/12	**151,528**	**(151,528)**	**-**	**-**	**-**	**-**
• Old LTIP grant 27/10/08	**2,232**	**-**	**-**	**(1,986)**	**(246)**	**-**
	161,061	**123,494**	**143,913**	**(114,915)**	**(246)**	**313,307**
Executives						
Anthony Fowler						
• TSR share bank account	**663**	**25,242**	**-**	**(10,362)**	**-**	**15,543**
• EBIT/Funds Employed share bank account	**(4,719)**	**21,036**	**-**	**(6,527)**	**-**	**9,790**
• Notional grant 27/8/12	**-**	**-**	**26,614**	**-**	**-**	**26,614**
• Notional grant 22/6/12	**25,497**	**(25,497)**	**-**	**-**	**-**	**-**
• Old LTIP grant 27/10/08	**109**	**-**	**-**	**(97)**	**(12)**	**-**
	21,550	**20,781**	**26,614**	**(16,986)**	**(12)**	**51,947**
Ken Hodgson						
• TSR share bank account	**3,473**	**25,964**	**-**	**(29,437)**	**-**	**-**
• EBIT/Funds Employed share bank account	**(5,386)**	**21,636**	**-**	**(16,250)**	**-**	**-**
• Notional grant 27/8/12	**-**	**-**	**24,951**	**-**	**(24,951)**	**-**
• Notional grant 22/6/12	**26,226**	**(26,226)**	**-**	**-**	**-**	**-**
	24,313	**21,374**	**24,951**	**(45,687)**	**(24,951)**	**-**
Stephen Mikkelsen						
• TSR share bank account	**3,494**	**28,127**	**-**	**(12,648)**	**-**	**18,973**
• EBIT/Funds Employed share bank account	**(5,566)**	**23,440**	**-**	**(7,150)**	**-**	**10,724**
• Notional grant 27/8/12	**-**	**-**	**29,275**	**-**	**-**	**29,275**
• Notional grant 22/6/12	**28,411**	**(28,411)**	**-**	**-**	**-**	**-**
• Old LTIP grant 27/10/08	**290**	**-**	**-**	**(258)**	**(32)**	**-**
	26,629	**23,156**	**29,275**	**(20,056)**	**(32)**	**58,972**
Michael Moraza						
• TSR share bank account	**3,871**	**23,440**	**-**	**(10,924)**	**-**	**16,387**
• EBIT/Funds Employed share bank account	**(4,058)**	**19,533**	**-**	**(6,190)**	**-**	**9,285**
• Notional grant 27/8/12	**-**	**-**	**22,489**	**-**	**-**	**22,489**
• Notional grant 22/6/12	**23,677**	**(23,677)**	**-**	**-**	**-**	**-**
• Old LTIP grant 27/10/08	**159**	**-**	**-**	**(141)**	**(18)**	**-**
	23,649	**19,296**	**22,489**	**(17,255)**	**(18)**	**48,161**

Note 48 - Key management personnel disclosures (cont'd)

Share performance rights over ordinary shares (cont'd)

2013 **Share performance rights**	**Balance at 1 July 2012**	**Deposited (deducted) during the year (a)**	**Notionally granted during the year (b)**	**Vested during the year**	**Forfeited during the year**	**Balance at 30 June 2013**
Brett Redman						
• TSR share bank account	**589**	**7,429**	**-**	**(3,207)**	**-**	**4,811**
• EBIT/Funds Employed share bank account	**(1,777)**	**6,191**	**-**	**(1,766)**	**-**	**2,648**
• Notional grant 27/8/12	**-**	**-**	**7,196**	**-**	**-**	**7,196**
• Notional grant 22/6/12	**7,504**	**(7,504)**	**-**	**-**	**-**	**-**
• Old LTIP grant 27/10/08	**90**	**-**	**-**	**(80)**	**(10)**	**-**
	6,406	**6,116**	**7,196**	**(5,053)**	**(10)**	**14,655**

(a) After testing the SPRs notionally granted on 22 June 2012 against the relevant performance hurdle for the 2012 financial year, SPRs were deposited into (or deducted from) the relevant share bank account for each participant.

(b) SPRs notionally granted on 27 August 2012 will be tested against the relevant performance hurdle for the 2013 financial year.

There were nil SPRs vested but not exercisable at 30 June 2013.

Details of SPRs notionally granted to key management personnel during the 2013 financial year are as follows:

Date granted	**Number of SPRs**	**Performance period**	**Vesting date**	**Weighted average fair value**
27 August 2012	**254,438**	**1 July 2012 - 30 June 2013**	**1 September 2013**	**$13.89**

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

For further details, including the key terms and conditions, grant and vesting dates for SPRs granted to key management personnel, refer Note 50.

Note 48 - Key management personnel disclosures (cont'd)

Share performance rights over ordinary shares (cont'd)

2012 Share performance rights	Balance at 1 July 2011	Deposited (deducted) during the year (a)	Notionally granted during the year	Adjustments granted during the year (b)	Vested during the year	Forfeited during the year	Balance at 30 June 2012
Managing Director and CEO							
Michael Fraser							
• TSR share bank account	50,051	-	-	1,101	(20,020)	-	31,132
• EBIT/Funds Employed share bank account	18,164	(41,152)	-	(843)	-	-	(23,831)
• Notional grant 22/6/12	-	-	146,171	5,357	-	-	151,528
• Notional grant 20/6/11	137,175	(137,175)	-	-	-	-	-
• Old LTIP grant 27/10/08	107,639	-	-	79	(105,486)	-	2,232
	313,029	(178,327)	146,171	5,694	(125,506)	-	161,061
Executives							
Anthony Fowler							
• TSR share bank account	1,066	-	-	23	(426)	-	663
• EBIT/Funds Employed share bank account	386	(4,938)	-	(167)	-	-	(4,719)
• Notional grant 22/6/12	-	-	24,596	901	-	-	25,497
• Notional grant 20/6/11	16,461	(16,461)	-	-	-	-	-
• Old LTIP grant 27/10/08	5,209	-	-	4	(5,104)	-	109
	23,122	(21,399)	24,596	761	(5,530)	-	21,550
Ken Hodgson							
• TSR share bank account	5,584	-	-	123	(2,234)	-	3,473
• EBIT/Funds Employed share bank account	2,026	(7,222)	-	(190)	-	-	(5,386)
• Notional grant 22/6/12	-	-	25,299	927	-	-	26,226
• Notional grant 20/6/11	24,075	(24,075)	-	-	-	-	-
	31,685	(31,297)	25,299	860	(2,234)	-	24,313
Paul McWilliams							
• TSR share bank account	1,256	-	-	28	(502)	-	782
• EBIT/Funds Employed share bank account	456	(2,263)	-	(66)	-	-	(1,873)
• Notional grant 22/6/12	-	-	12,017	440	-	-	12,457
• Notional grant 20/6/11	7,545	(7,545)	-	-	-	-	-
• Old LTIP grant 27/10/08	3,132	-	-	2	(3,069)	-	65
	12,389	(9,808)	12,017	404	(3,571)	-	11,431
Stephen Mikkelsen							
• TSR share bank account	5,617	-	-	124	(2,247)	-	3,494
• EBIT/Funds Employed share bank account	2,038	(7,407)	-	(197)	-	-	(5,566)
• Notional grant 22/6/12	-	-	27,407	1,004	-	-	28,411
• Notional grant 20/6/11	24,692	(24,692)	-	-	-	-	-
• Old LTIP grant 27/10/08	14,000	-	-	10	(13,720)	-	290
	46,347	(32,099)	27,407	941	(15,967)	-	26,629
Michael Moraza							
• TSR share bank account	6,223	-	-	137	(2,489)	-	3,871
• EBIT/Funds Employed share bank account	2,258	(6,173)	-	(143)	-	-	(4,058)
• Notional grant 22/6/12	-	-	22,840	837	-	-	23,677
• Notional grant 20/6/11	20,577	(20,577)	-	-	-	-	-
• Old LTIP grant 27/10/08	7,639	-	-	6	(7,486)	-	159
	36,697	(26,750)	22,840	837	(9,975)	-	23,649

Note 48 - Key management personnel disclosures (cont'd)

Share performance rights over ordinary shares (cont'd)

(a) After testing the SPRs notionally granted on 20 June 2011 against the relevant performance hurdle for the 2011 financial year, SPRs were deposited into (or deducted from) the relevant share bank account for each participant.

(b) Adjustment grants were made to adjust for dilution to the number of SPRs notionally granted on 22 June 2012 and to unvested SPRs for prior years as a result of the rights issue allotment in June 2012.

There were nil SPRs vested but not exercisable at 30 June 2012.

Details of SPRs notionally granted to key management personnel during the 2012 financial year are as follows:

Date granted	Number of SPRs	Performance period	Vesting date	Weighted average fair value
22 June 2012	258,330	1 July 2011 - 30 June 2012	1 September 2012	$14.53

Shareholdings of key management personnel

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

2013 Ordinary shares	Balance at 1 July 2012	AGL Share Purchase Plan (a)	Dividend Reinvestment Plan (b)	Received on vesting of SPRs	Net change other (c)	Balance at 30 June 2013	Balance held nominally
Non-executive Directors							
Jeremy Maycock	**65,290**	**336**	**-**	**-**	**-**	**65,626**	**-**
Les Hosking	**2,334**	**-**	**-**	**-**	**-**	**2,334**	**-**
Graeme Hunt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Belinda Hutchinson	**7,630**	**-**	**-**	**-**	**-**	**7,630**	**-**
Sandra McPhee	**17,121**	**-**	**-**	**-**	**-**	**17,121**	**-**
Max Ould (d)	**34,619**	**-**	**636**	**-**	**-**	**-**	**-**
Bruce Phillips	**33,834**	**-**	**-**	**-**	**-**	**33,834**	**-**
John Stanhope	**3,442**	**-**	**144**	**-**	**-**	**3,586**	**-**
Executive Directors							
Michael Fraser	**671,267**	**-**	**-**	**114,915**	**(83,000)**	**703,182**	**-**
Executives							
Anthony Fowler	**10,044**	**-**	**-**	**16,986**	**(8,609)**	**18,421**	**-**
Ken Hodgson (e)	**9,019**	**-**	**1,208**	**45,687**	**-**	**-**	**-**
Stephen Mikkelsen	**24,957**	**-**	**-**	**20,056**	**(13,000)**	**32,013**	**-**
Michael Moraza	**39,545**	**-**	**-**	**17,255**	**-**	**56,800**	**-**
Brett Redman	**5,365**	**-**	**-**	**5,053**	**-**	**10,418**	**-**

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

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

(c) Includes shares purchased and disposed in the ordinary course of trading on the ASX.

(d) Mr Ould retired as a Director on 23 October 2012 and the number of shares represent those held at the date of leaving office.

(e) Mr Hodgson retired as an Executive on 14 February 2013 and the number of shares represent those held at the date of leaving office.

Note 48 - Key management personnel disclosures (cont'd)

Shareholdings of key management personnel (cont'd)

2012 Ordinary shares	Balance at 1 July 2011	AGL Share Purchase Plan (a)	Dividend Reinvestment Plan (b)	Received on vesting of SPRs	Net change other (c)	Balance at 30 June 2012	Balance held nominally
Non-executive Directors							
Jeremy Maycock	55,625	352	-	-	9,313	65,290	-
Les Hosking	2,000	-	-	-	334	2,334	-
Belinda Hutchinson	6,540	-	-	-	1,090	7,630	-
Sandra McPhee	12,750	-	-	-	4,371	17,121	-
Max Ould	28,662	-	1,011	-	4,946	34,619	-
Bruce Phillips	29,000	-	-	-	4,834	33,834	-
John Stanhope	-	-	69	-	3,373	3,442	-
Executive Directors							
Michael Fraser	519,865	-	-	125,506	25,896	671,267	-
Executives							
Anthony Fowler	3,079	-	-	5,530	1,435	10,044	-
Ken Hodgson	5,179	-	317	2,234	1,289	9,019	-
Paul McWilliams	11,033	-	-	3,571	2,434	17,038	-
Stephen Mikkelsen	32,990	-	-	15,967	(24,000)	24,957	-
Michael Moraza	23,920	-	-	9,975	5,650	39,545	-

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

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

(c) Includes shares purchased and disposed in the ordinary course of trading on the ASX, and shares acquired as a result of their take-up of the pro-rata entitlements under the rights issue in June 2012.

Loans to key management personnel

There are no loans between key management personnel and the consolidated entity.

Other transactions with key management personnel and their personally related entities

Transactions entered into during the year with key management personnel which are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis include:

- the receipt of dividends from AGL Energy Limited;
- participation in the AGL Dividend Reinvestment Plan;
- participation in the AGL Long-Term Incentive Plan and the AGL Share Purchase Plan;
- reimbursement of expenses; and
- purchase of goods and services.

Note 49 - Defined benefit superannuation plans

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

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

The consolidated entity also contributes to defined contribution superannuation plans for employees, which are also provided by these plans. Contributions made to these defined contribution plans are expensed as incurred.

	2013 $m	2012 $m
Amounts recognised in other comprehensive income		
Actuarial gain/(loss) incurred during the year and recognised in other comprehensive income		
Actuarial gain/(loss)	**78.8**	(70.0)
Tax effect	**(23.6)**	21.0
Actuarial gain/(loss), net of tax	**55.2**	(49.0)
Cumulative actuarial loss recognised in other comprehensive income, net of tax	**(44.6)**	(99.8)
Amounts recognised in profit or loss		
Current service cost	**18.6**	3.8
Interest cost	**16.9**	9.0
Expected return on plan assets	**(27.3)**	(11.1)
Past service cost	**0.2**	-
Effect of curtailments	**-**	(0.1)
Expense recognised in profit or loss as part of employee benefits expense (Note 9)	**8.4**	1.6
Amounts included in the statement of financial position		
Fair value of plan assets	**459.9**	396.4
Present value of defined benefit obligations	**(585.5)**	(621.3)
Deficit	**(125.6)**	(224.9)
Past service cost not yet recognised	**1.1**	1.3
Net liability - non-current	**(124.5)**	(223.6)
Net liability at beginning of financial year	**(223.6)**	(40.6)
Net liabilities assumed in a business combination	**-**	(121.4)
Expense recognised in profit or loss	**(8.4)**	(1.6)
Amount recognised in the statement of comprehensive income	**78.8**	(70.0)
Employer contributions	**28.7**	10.0
Net liability at end of financial year	**(124.5)**	(223.6)
Movements in the present value of defined benefit obligations		
Opening defined benefit obligations	**621.3**	198.2
Liabilities assumed in a business combination	**-**	355.9
Current service cost	**18.6**	3.8
Interest cost	**16.9**	9.0
Contributions by plan participants	**6.1**	2.4
Actuarial (gain)/loss	**(44.8)**	71.5
Benefits paid	**(27.9)**	(13.4)
Taxes and premiums paid	**(5.1)**	(1.7)
Net transfers in	**0.4**	0.9
Curtailments	**-**	(0.1)
Settlements	**-**	(5.2)
Closing defined benefit obligations	**585.5**	621.3

	2013 $m	2012 $m
Note 49 - Defined benefit superannuation plans (cont'd)		
Movements in the fair value of plan assets		
Opening fair value of plan assets	**396.4**	157.6
Assets acquired in a business combination	**-**	233.2
Expected return on plan assets	**27.3**	11.1
Actuarial gain	**34.0**	1.5
Employer contributions	**28.7**	10.0
Contributions by plan participants	**6.1**	2.4
Benefits paid	**(27.9)**	(13.4)
Taxes and premiums paid	**(5.1)**	(1.7)
Net transfers in	**0.4**	0.9
Settlements	**-**	(5.2)
Closing fair value of plan assets	**459.9**	396.4

History of experience adjustments

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Present value of defined benefit obligations	**(585.5)**	(621.3)	(198.2)	(209.1)	(188.8)
Fair value of plan assets	**459.9**	396.4	157.6	155.7	135.5
Deficit	**(125.6)**	(224.9)	(40.6)	(53.4)	(53.3)
Experience adjustments on plan assets	**34.0**	1.5	1.7	5.1	(32.8)
Experience adjustments on plan liabilities	**(21.2)**	(3.8)	(1.3)	(1.8)	(7.0)

The consolidated entity expects to contribute $23.2 million (2012: $29.8 million) to the defined benefit plans during the next financial year.

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

The expected return on plan assets is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class and allowing for correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. An allowance for administration expenses has been deducted from the expected return.

The actual return on plan assets was $61.4 million (2012: $12.6 million).

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

	SSMT		EF		EISS	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Australian equities	**29.5**	31.2	**29.0**	35.0	**27.0**	28.0
International equities	**29.3**	27.7	**30.0**	27.0	**22.0**	23.0
Fixed interest securities	**11.0**	13.5	**12.0**	11.0	**13.0**	13.0
Property	**4.0**	4.5	**9.0**	10.0	**12.0**	13.0
Cash	**6.5**	4.0	**5.0**	7.0	**6.0**	6.0
Other	**19.7**	19.1	**15.0**	10.0	**20.0**	17.0

Note 49 - Defined benefit superannuation plans (cont'd)

Principal actuarial assumptions

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

	SSMT		EF		EISS	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	%	**%**	**%**	**%**	**%**	**%**
Discount rate (after tax) active members	**3.5**	2.8	**4.0**	2.6	**3.5**	2.8
Discount rate (after tax) pensioners	**-**	-	**4.0**	3.0	**3.8**	3.0
Expected return on plan assets - active members	**6.3**	6.3	**7.0**	7.0	**7.0**	7.0
Expected return on plan assets - pensioners	**-**	-	**7.5**	7.5	**8.0**	8.0
Expected salary increase rate	**4.0**	4.0	**5.0**	4.0	**4.0**	4.0
Expected pension increase rate	**-**	-	**3.0**	3.0	**2.8**	2.8

Defined contribution superannuation plans

The consolidated entity makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the financial year ended 30 June 2013 was $18.0 million (2012: $15.8 million).

Valuation of defined benefit liabilities under AASB 119 and AAS 25

Defined benefit liabilities are measured using two different methods:

• AAS 25 *Financial Reporting by Superannuation Plans* - this actuarial standard is used by superannuation funds to determine the funding arrangements and employer contribution rates required to pay the defined benefit obligations to members.

• AASB 119 *Employee Benefits* - this accounting standard is used by employers to measure the defined benefit liabilities for financial statement reporting purposes.

Under AAS 25, accrued benefits are determined as the value of future benefits payable to members (allowing for future salary increases), discounted using the expected rate of return on the assets to fund the benefits.

Under AASB 119, the consolidated entity determines the present value of defined benefit obligations by discounting future benefits payable to members at the yield on Commonwealth Government bonds of similar maturity at the end of the reporting period.

The two measurement methods can produce significantly different results mainly due to the application of different discount rates. Under the current low interest rate environment, the method under AASB 119 usually results in a higher liability.

Note 50 - Share-based payment plans

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

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

AGL Share Reward Plan

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

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

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

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

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

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

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

Grant date	Balance at beginning of the year Number	Granted during the year Number	Fair value per share $	Distributed during the year Number	Balance at end of the year Number
2013					
28 September 2012	**-**	**103,808**	**$14.75**	**(7,744)**	**96,064**
30 September 2011	**66,787**	**-**	**-**	**(7,252)**	**59,535**
22 September 2010	**68,747**	**-**	**-**	**(6,954)**	**61,793**
22 September 2009	**65,627**	**-**	**-**	**(65,627)**	**-**
	201,161	**103,808**		**(87,577)**	**217,392**
2012					
30 September 2011	-	76,097	$14.17	(9,310)	66,787
22 September 2010	83,753	-	-	(15,006)	68,747
22 September 2009	79,132	-	-	(13,505)	65,627
22 September 2008	53,900	-	-	(53,900)	-
	216,785	76,097		(91,721)	201,161

During the year, there were 1,622 eligible employees (2012: 1,553) who were each granted 64 ordinary shares in AGL (2012: 49). All shares granted were purchased on-market and the fair value per share is market value (as defined above).

The expense recognised in profit or loss as part of employee benefits expense during the year in relation to the AGL Share Reward Plan was:

	2013 $m	2012 $m
Employee benefits expense	**1.5**	1.1

Note 50 - Share-based payment plans (cont'd)

AGL Share Purchase Plan

The AGL Energy Limited Board of Directors approved the AGL Share Purchase Plan (SPP) on 5 October 2006. Under the SPP, the Board may in its discretion, from time to time invite any eligible employees to acquire fully-paid ordinary shares in AGL with funds provided in lieu of remuneration they would have received. The Directors of AGL may also participate in the SPP. The total amount that can be allocated to the purchase of shares under the SPP in any financial year commencing on or after 1 July 2009 is $5,000. Eligible employees include full-time or permanent part-time employees of entities in the consolidated entity who have attained the age of 18 years. Employees who are resident overseas can only participate at the Board's discretion.

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

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

SPP shares may not be disposed before the earlier of seven years after the date of acquisition (or, in the case of SPP shares acquired on or before 31 May 2010, 10 years), the date on which the participating employee ceases to be employed by the consolidated entity, and the Board or the trustee determines that the shares should be freed from this restriction following the written request of the participating employee. During this period, the trustee is entitled to retain custody of share certificates or holding statements in respect of the SPP shares and to implement procedures to prevent any dealing with those shares.

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

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

Share movements	Balance at beginning of the year Number	Purchased during the year Number	Fair value per share $	Distributed during the year Number	Balance at end of the year Number
2013					
Non-executive Directors	**27,061**	**336**	**$14.83**	**(8,231)**	**19,166**
Managing Director and Chief Executive Officer	**169,300**	**-**	**-**	**-**	**169,300**
Employees	**124,511**	**113,793**	**$15.32**	**(91,108)**	**147,196**
	320,872	**114,129**		**(99,339)**	**335,662**
2012					
Non-executive Directors	26,709	352	$14.20	-	27,061
Managing Director and Chief Executive Officer	169,300	-	-	-	169,300
Employees	118,385	96,140	$15.35	(90,014)	124,511
	314,394	96,492		(90,014)	320,872

At the end of the reporting period, there was one non-executive Director (2012: two) and 227 employees including the Managing Director (2012: 201) participating in the SPP. All shares were purchased on-market and the fair value per share is market value (as defined above).

No expense is recognised in profit or loss in relation to shares purchased under the SPP as they are acquired out of salary sacrificed remuneration.

Note 50 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan

The AGL Energy Limited Board of Directors approved the AGL Long-Term Incentive Plan (LTIP) on 5 October 2006 and was amended by the Board on 19 August 2009. The LTIP is an integral part of AGL's remuneration policy. It is designed to generate long-term value for shareholders by linking the performance of AGL executives with the achievement of specific business and strategic goals.

Under the LTIP, participants are granted Share Performance Rights (SPRs), which vest over time if specific applicable hurdles are met. A SPR is an entitlement to one fully-paid ordinary share in AGL. On vesting, SPRs are exercised and converted to fully-paid ordinary shares in AGL. SPRs do not carry dividend or voting rights. SPRs participate in bonus issues, rights issues and reconstructions and reorganisations of the capital of AGL in the same manner as AGL ordinary shares.

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

LTIP allocations are determined, based on market practice, so that AGL remains competitive in remuneration against its comparator group.

If a participant ceases employment before the expiry of the vesting period as a result of total and permanent disablement, redundancy, retirement, death or any other exceptional circumstances determined by the Board from time to time, any positive balance of SPRs in a participant's bank account will vest or any negative balance is eliminated.

If a participant ceases employment before the expiry of the vesting period in other circumstances, any positive balance is forfeited or any negative balance is eliminated.

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

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

Managing Director and Senior Executives

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

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

At the 2011 Annual General Meeting, shareholder approval was obtained for the grant of SPRs under the LTIP to Mr Fraser (Managing Director and Chief Executive Officer) in respect of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

On 27 August 2012, Mr Fraser received an initial notional grant of 143,913 SPRs in respect of the year ended 30 June 2013. The number of SPRs notionally granted was determined by dividing Mr Fraser's Total Fixed Remuneration (TFR) as at 1 September 2012 of $2,163,000 by $15.03 (being the volume weighted average price (VWAP) at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June 2012).

On 27 August 2012, 21 executives received an initial notional grant of 219,366 SPRs in respect of the year ended 30 June 2013. The number of SPRs notionally granted was determined by taking the participant's TFR as at 1 September 2012 multiplied by their pre-agreed percentage LTI component, and divided by $15.03 (being the volume weighted average price (VWAP) at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June 2012).

The SPRs notionally granted are subject to two performance hurdles based on annual:

- Total Shareholder Return (TSR); and
- Growth in Earnings before interest and tax (EBIT)/Funds Employed

TSR measures the total change in the value of AGL shares over the measurement period including dividends and other distributions. TSR calculates what a dollar investment in AGL would return in percentage terms at the end of a specified period. TSR rewards consistent performance in the generation of sustained shareholder value over the long term.

EBIT/Funds Employed measures the return AGL is getting from its funds invested. EBIT/Funds Employed encourages the efficient use of capital in a capital intensive industry.

Participants will be awarded a number of SPRs in respect of each performance condition, determined by multiplying 50% of the number of their initial grant of SPRs by the multiplier indicated in the tables below which corresponds with the TSR outcome and the growth in EBIT/Funds Employed outcome for the financial year ending 30 June 2012.

Note 50 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan (cont'd)

Annual TSR	Number of SPRs awarded
Equal to or greater than 14%	2 times SPRs notionally granted
Greater than 4% and less than 14%	Progressive on a straight-line basis from zero times to 2 times SPRs notionally granted
Between 4% and minus 4%	Zero times SPRs notionally granted
Less than minus 4% and greater than minus 14%	Progressive deduction on a straight-line basis from zero times to minus 2 times SPRs notionally granted
Equal to or less than minus 14%	Minus 2 times SPRs notionally granted

In the event the TSR outcome is greater than 14%, the opening share price for measuring the following year's TSR is set at a level that would have achieved 14%. In the event the TSR outcome is less than minus 14%, the opening share price for measuring the following year's TSR is set at a level that would have achieved minus 14%.

Annual growth in EBIT/Funds Employed	Number of SPRs awarded
Equal to or greater than 13%	2 times SPRs notionally granted
Greater than 2% and less than 13%	Progressive on a straight-line basis from zero times to 2 times SPRs notionally granted
Between 2% and minus 4%	Zero times SPRs notionally granted
Less than minus 4% and greater than minus 15%	Progressive deduction on a straight-line basis from zero times to minus 2 times SPRs notionally granted
Equal to or less than minus 15%	Minus 2 times SPRs notionally granted

In the event the growth in EBIT/Funds Employed outcome is greater than 13%, the EBIT/Funds Employed for measuring the following year's EBIT/Funds Employed is set at a level that would have achieved 13%. In the event the growth in EBIT/Funds Employed outcome is less than minus 13%, the opening EBIT/Funds Employed for measuring the following year's EBIT/Funds Employed is set at a level that would have achieved minus 13%.

SPRs awarded can be positive and negative. This means shares can only be awarded if there is a predetermined improvement on the prior year. Importantly however, if performance falls below a predetermined level in any year, then previously awarded SPRs will be clawed back to the extent calculated under the performance hurdles.

Each participant has two notional share bank accounts (one for TSR, the other for EBIT/Funds Employed) and these operate independently of each other in determining whether a distribution is made.

The SPRs awarded are deposited into a notional share bank account. An annual calculation is made as soon as practicable for the year ended 30 June to determine the number of SPRs to be added or deducted from the notional share bank accounts.

If there is a positive notional share bank balance in a bank account following the calculation, 40% of that balance is distributed to participants during the next AGL share trading window.

There is no distribution from a bank account if there is a negative notional share bank balance in that account following the calculation and any negative balance is carried forward to the following year.

The following table sets out details of SPRs notionally granted to executives during the year:

SPRs grant	Number of SPRs	Performance period	Vesting date	Weighted average fair value
2013				
27 August 2012	**363,279**	**1 July 2012 - 30 June 2013**	**1 September 2013**	**$13.89**
2012				
22 June 2012	376,887	1 July 2011 - 30 June 2012	1 September 2012	$14.53

Note 50 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan (cont'd)

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

SPRs grant	Balance at beginning of the year	Deposited (deducted) during the year (a)	Notionally granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
2013						
TSR share bank account	**52,910**	**373,115**	**-**	**(188,072)**	**-**	**237,953**
EBIT/Funds Employed share bank account	**(60,756)**	**310,927**	**-**	**(109,822)**	**-**	**140,349**
Notional grant 27/8/12	**-**	**-**	**363,279**	**-**	**(24,951)**	**338,328**
Notional grant 22/6/12	**376,887**	**(376,887)**	**-**	**-**	**-**	**-**
Old LTIP grant 27/10/08	**4,019**	**-**	**-**	**(3,564)**	**(455)**	**-**
	373,060	**307,155**	**363,279**	**(301,458)**	**(25,406)**	**716,630**

(a) After testing the SPRs notionally granted on 22 June 2012 against the relevant performance hurdle for the 2012 financial year, SPRs were deposited into (or deducted from) the relevant share bank account for each participant.

There were nil SPRs vested but not exercisable at 30 June 2013.

SPRs grant	Balance at beginning of the year	Deposited (deducted) during the year (a)	Notionally granted during the year	Adjustments granted during the year (b)	Vested during the year	Forfeited during the year	Balance at end of the year
2012							
TSR share bank account	85,935	-	-	1,872	(34,897)	-	52,910
EBIT/Funds Employed share bank account	31,184	(89,475)	-	(2,149)	(316)	-	(60,756)
Notional grant 22/6/12	-	-	363,566	13,321	-	-	376,887
Notional grant 20/6/11	298,265	(298,265)	-	-	-	-	-
Old LTIP grant 27/10/08	200,640	-	-	142	(195,301)	(1,462)	4,019
	616,024	(387,740)	363,566	13,186	(230,514)	(1,462)	373,060

(a) After testing the SPRs notionally granted on 20 June 2011 against the relevant performance hurdle for the 2011 financial year, SPRs were deposited into (or deducted from) the relevant share bank account for each participant.

(b) Adjustment grants were made to adjust for dilution to the number of SPRs notionally granted on 22 June 2012 and to unvested SPRs for prior years as a result of the rights issue allotment in June 2012.

There were nil SPRs vested but not exercisable at 30 June 2012.

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

SPRs grant	**2013** **27 Aug 12**	2012 22 Jun 12
Weighted average fair value at grant date	**$13.89**	$14.53
Share price at grant date	**$15.35**	$14.75
Expected volatility	**-**	20.0%
SPR life	**1 - 5 years**	0.2 - 4.2 years
Expected dividend yield	**4.1%**	5.6%
Risk free interest rate (based on government bonds)	**-**	2.4% - 2.9%

The expense recognised in profit or loss as part of employee benefits expense during the year in relation to SPRs granted to the Managing Director and executives under the AGL Long-Term Incentive Plan was:

	2013 **$m**	2012 $m
Employee benefits expense	**5.6**	5.3

Note 51 - Related party disclosures

Parent entity

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

Balances and transactions between the Parent Entity and its subsidiaries, which are related parties of the Parent Entity, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the consolidated entity and other related parties are disclosed below.

Equity interests in subsidiaries

Details of interests in subsidiaries are disclosed in Note 43.

Equity interests in associates and jointly controlled entities

Details of interests in associates and jointly controlled entities are disclosed in Note 19.

Key management personnel

Disclosures relating to key management personnel are set out in Note 48 and in the Directors' Report.

Loans to jointly controlled entities

On 6 October 2011, the consolidated entity and its joint venture partner, APA Group, entered into a loan facility agreement with Diamantina Holding Company Pty Limited (DPS Holdco) to provide interim funding in equal proportions for the construction of the 242 MW gas-fired power station in Mt Isa, Queensland. At 30 June 2012, the consolidated entity had provided a loan of $89.7 million including capitalised interest to DPS Holdco. The loan was unsecured, at market interest rates and repayable on completion of the external financing arrangements for the power station.

During the 2013 financial year, the consolidated entity provided a loan of $75.7 million including capitalised interest of $3.6 million to DPS Holdco. In December 2012, Diamantina Power Station Pty Limited completed financing arrangements of the power station and the total loan amount of $165.4 million was repaid in full.

The Parent Entity has provided a loan to Central Queensland Pipeline Pty Ltd (CQP) of $1.5 million (2012: $1.5 million) for operational expenditure purposes. The loan is unsecured, interest free and has no fixed repayment terms. At 30 June 2013, the consolidated entity reviewed the carrying amount of its interests in CQP. As a result of the review, the Parent Entity has fully provided for the non-recoverability of the loan as it does not consider that CQP is in a position to be able to repay the loan in the medium term.

The impairment loss of $1.5 million (2012: $nil) is included in other expenses in the line item 'Impairment loss on loan to a jointly controlled entity' in Note 7.

	2013 $m	2012 $m
Amounts owing by jointly controlled entities		
ActewAGL Retail Partnership	**48.4**	51.7
Diamantina Power Station Pty Limited	**16.7**	-
	65.1	51.7
Amounts owing by joint venture operations		
Macarthur Wind Farm Joint Venture	**1.0**	0.6
Galilee Gas Project Joint Venture	**0.1**	0.2
	1.1	0.8

The amounts owing are unsecured, interest free and will be settled in cash. No expense has been recognised in the current or the prior period for bad or doubtful debts in respect of the amounts owed by jointly controlled entities and joint venture operations.

	2013 $m	2012 $m
Amounts owing to jointly controlled entities		
ActewAGL Retail Partnership	**1.8**	1.2

	2013 $m	2012 $m
Note 51 - Related party disclosures (cont'd)		
Trading transactions with associates and jointly controlled entities		
ActewAGL Retail Partnership		
The consolidated entity provided management and retail services to the ActewAGL Retail Partnership on normal commercial terms and conditions.	**8.6**	8.4
The consolidated entity sold gas and electricity to the ActewAGL Retail Partnership on normal commercial terms and conditions.	**277.8**	228.5
Diamantina Power Station Pty Limited		
On 6 October 2011, the consolidated entity entered into a gas supply agreement with Diamantina Power Station Pty Limited (DPS), a wholly-owned subsidiary of Diamantina Holding Company Pty Limited, to supply DPS with 138 petajoules of natural gas from May 2013 through to 2023 on normal commercial terms and conditions.		
Under the gas supply arrangements with DPS, the consolidated entity commenced the supply of interim gas to Mount Isa Mines Limited (Xstrata) from May 2013.	**15.1**	-
Great Energy Alliance Corporation Pty Limited		
On 29 June 2012, the consolidated entity completed the acquisition of Great Energy Alliance Corporation Pty Limited, increasing its ownership from 32.54% to 100%. Up until the date of acquisition, there were the following transactions between the consolidated entity and GEAC.		
The consolidated entity paid difference receipts from the settlement of electricity hedges on normal commercial terms and conditions.	**-**	(77.8)

Note 52 - Cash flow information

	2013 $m	2012 $m
(a) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the year	**388.7**	114.9
Share of profits of associates and jointly controlled entities	**(26.3)**	(16.8)
Dividends received from jointly controlled entities	**24.5**	26.7
Depreciation and amortisation	**287.1**	173.9
Impairment loss on exploration and evaluation assets	**347.3**	35.8
Impairment loss on oil and gas assets	**31.2**	-
Impairment loss on property, plant and equipment	**44.0**	-
Impairment loss on intangible assets	**16.9**	-
Impairment loss on investment in a jointly controlled entity	**0.3**	-
Impairment loss on loan to a jointly controlled entity	**1.5**	-
Loss on remeasurement to fair value of pre-existing equity interest in an acquired entity	**-**	120.7
Cumulative loss reclassified from equity of pre-existing equity interest in an acquired entity	**-**	36.3
Share-based payments expense	**7.1**	6.4
(Gain)/loss in fair value of financial instruments	**(114.3)**	304.6
Net loss on disposal of exploration and evaluation assets	**-**	1.1
Net loss on disposal of oil and gas assets	**-**	0.1
Net loss on disposal of property, plant and equipment	**0.9**	0.3
Non-cash finance costs	**34.3**	9.3
Capitalised finance costs	**(27.9)**	(26.8)
Deferred borrowing costs	**(0.5)**	(22.7)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(306.6)**	(207.2)
(Increase)/decrease in inventories	**21.0**	(21.5)
(Increase)/decrease in derivative financial instruments	**21.9**	0.2
(Increase)/decrease in other financial assets	**8.1**	29.8
(Increase)/decrease in other assets	**(81.0)**	(46.5)
Increase/(decrease) in trade and other payables	**254.5**	123.0
Increase/(decrease) in provisions	**(63.5)**	(39.2)
Increase/(decrease) in other liabilities	**(271.7)**	(3.1)
Increase/(decrease) in tax assets and liabilities	**4.3**	(132.8)
Net cash provided by operating activities	**601.8**	466.5

(b) Subsidiaries and businesses acquired

	2013 $m	2012 $m
Net cash outflow/(inflow) on acquisition of subsidiaries and businesses (Note 44)	**33.1**	(217.5)

(c) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2013 $m	2012 $m
Cash at bank and on hand	**167.2**	540.1
Short-term deposits	**113.8**	1,272.8
	281.0	1,812.9

(d) Non-cash financing and investing activities

	2013 $m	2012 $m
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 35)	**126.3**	92.4

Note 53 - Financial instruments

(a) Capital risk management

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity's overall capital management strategy remains unchanged from 2012.

The capital structure of the consolidated entity consists of net debt (borrowings as detailed in Notes 27 and 31 offset by cash and cash equivalents as detailed in Note 12) and total equity of the consolidated entity (comprising issued capital, reserves and retained earnings as detailed in Notes 35, 36 and 37).

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

The gearing ratio is calculated as net debt divided by adjusted total capital. Net debt is calculated as total borrowings, adjusted for cross currency swap hedges and deferred borrowing costs, less cash and cash equivalents. Adjusted total capital is calculated as total equity less the hedging reserve plus net debt. The gearing ratio at the end of the reporting period was as follows:

	2013 $m	**2012 $m**
Current borrowings	**45.4**	616.0
Non-current borrowings	**3,063.6**	3,696.0
Total borrowings	**3,109.0**	4,312.0
Adjustment for cross currency swap hedges and deferred borrowing costs	**9.6**	42.1
Adjusted total borrowings	**3,118.6**	4,354.1
Cash and cash equivalents	**(281.0)**	(1,812.9)
Net debt	**2,837.6**	2,541.2
Total equity	**7,339.0**	7,132.9
Less: hedging reserve	**(5.4)**	19.4
Adjusted equity	**7,344.4**	7,113.5
Net debt	**2,837.6**	2,541.2
Adjusted total capital	**10,182.0**	9,654.7
Gearing ratio	**27.9%**	26.3%

Note 53 - Financial instruments (cont'd)

(a) Capital risk management (cont'd)

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

	2013 $m	2012 $m
Profit before net financing costs	**667.2**	201.4
Depreciation and amortisation	**287.1**	173.9
Finance income included in EBITDA	**2.3**	12.7
EBITDA	**956.6**	388.0
Significant expense items	**494.1**	211.7
Changes in fair value of financial instruments	**(114.3)**	304.6
Operating EBITDA	**1,336.4**	904.3
Share of profits of associates and jointly controlled entities	**(26.3)**	(16.8)
Dividends from equity accounted investments	**24.5**	26.7
Income tax paid	**(71.1)**	(180.8)
Funds from operations (FFO)	**1,263.5**	733.4
Net financing costs	**203.2**	38.5
Finance income included in EBITDA	**2.3**	12.7
Finance costs capitalised	**27.9**	26.8
Unwinding of discounts on provisions	**(17.9)**	(10.7)
Unwinding of discount on deferred and contingent consideration	**(27.1)**	(0.2)
Net interest expense	**188.4**	67.1
FFO to interest expense cover (times)	**6.7**	10.9

Note 53 - Financial instruments (cont'd)

(b) Categories of financial assets and financial liabilities

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

	2013		2012	
	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Financial assets - current				
Cash and cash equivalents	**281.0**	**281.0**	1,812.9	1,812.9
Trade and other receivables	**1,844.0**	**1,844.0**	1,531.4	1,531.4
Loans to jointly controlled entities	**-**	**-**	89.7	89.7
Futures deposits and margin calls	**18.3**	**18.3**	26.5	26.5
Derivative financial instruments - at fair value				
- Forward foreign exchange contracts - cash flow hedges	**8.2**	**8.2**	-	-
- Energy derivatives - cash flow hedges	**28.5**	**28.5**	120.6	120.6
- Energy derivatives - economic hedges	**131.9**	**131.9**	58.8	58.8
	2,311.9	**2,311.9**	3,639.9	3,639.9
Financial assets - non-current				
Trade and other receivables	**47.3**	**47.3**	-	-
Available-for-sale financial assets - at fair value	**0.3**	**0.3**	0.3	0.3
Loans to associates and jointly controlled entities	**1.5**	**1.5**	1.5	1.5
Derivative financial instruments - at fair value				
- Interest rate swap contracts - cash flow hedges	**9.1**	**9.1**	0.1	0.1
- Energy derivatives - cash flow hedges	**5.4**	**5.4**	9.9	9.9
- Energy derivatives - economic hedges	**323.7**	**323.7**	419.8	419.8
	387.3	**387.3**	431.6	431.6
Total financial assets	**2,699.2**	**2,699.2**	4,071.5	4,071.5
Financial liabilities - current				
Trade and other payables	**1,444.0**	**1,444.0**	1,158.4	1,158.4
Bank loans	**33.0**	**33.0**	614.5	614.5
Other loans	**11.1**	**11.1**	-	-
Finance lease liabilities	**1.3**	**1.3**	1.5	1.5
Derivative financial instruments - at fair value				
- Interest rate swap contracts - cash flow hedges	**29.6**	**29.6**	3.0	3.0
- Forward foreign exchange contracts - cash flow hedges	**-**	**-**	10.6	10.6
- Energy derivatives - cash flow hedges	**7.9**	**7.9**	27.0	27.0
- Energy derivatives - economic hedges	**362.2**	**362.2**	368.1	368.1
Deferred consideration	**30.7**	**30.7**	30.0	30.0
Contingent consideration	**1.6**	**1.6**	3.1	3.1
	1,921.4	**1,921.4**	2,216.2	2,216.2
Financial liabilities - non-current				
USD senior notes	**347.5**	**347.5**	337.5	337.5
Subordinated notes	**650.0**	**650.0**	650.0	650.0
Bank loans	**1,881.3**	**1,881.3**	2,585.8	2,585.8
Other loans	**188.9**	**188.9**	150.0	150.0
Finance lease liabilities	**15.2**	**15.2**	14.5	14.5
Derivative financial instruments - at fair value				
- Cross currency swap contracts - cash flow and fair value hedges	**2.9**	**2.9**	20.4	20.4
- Interest rate swap contracts - cash flow hedges	**40.3**	**40.3**	191.0	191.0
- Energy derivatives - cash flow hedges	**6.7**	**6.7**	5.3	5.3
Deferred consideration	**214.4**	**214.4**	218.2	218.2
Contingent consideration	**-**	**-**	1.4	1.4
	3,347.2	**3,347.2**	4,174.1	4,174.1
Total financial liabilities	**5,268.6**	**5,268.6**	6,390.3	6,390.3

Note 53 - Financial instruments (cont'd)

(c) Financial risk management

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

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

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

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

(d) Significant accounting policies

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

Note 53 - Financial instruments (cont'd)

(e) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts or other hedging instruments.

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

At the end of the reporting period, the consolidated entity had the following financial assets and liabilities exposed to floating interest rate risk:

Floating rate instruments	2013 $m	2012 $m
Financial assets		
Cash and cash equivalents	**281.0**	1,812.9
Loans to jointly controlled entities	**-**	89.7
	281.0	1,902.6
Financial liabilities		
USD senior notes (after effect of cross currency swaps)	**337.8**	337.8
Subordinated notes	**650.0**	650.0
Bank loans	**1,914.3**	3,200.3
Other loans	**200.0**	150.0
Interest rate swap contracts	**(1,525.0)**	(2,759.0)
	1,577.1	1,579.1

Interest rate swap contracts - cash flow hedges

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

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

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding receive floating pay fixed contracts	**2013 %**	**2012 %**	**2013 $m**	**2012 $m**	**2013 $m**	**2012 $m**
Less than 1 year	**5.57**	5.52	**205.0**	399.0	**(2.1)**	(3.0)
1 to 2 years	**5.46**	5.63	**260.0**	255.0	**(10.4)**	(8.4)
2 to 3 years	**5.04**	5.53	**815.0**	410.0	**(38.9)**	(20.3)
3 to 4 years	**5.21**	5.96	**70.0**	1,805.0	**(4.3)**	(146.5)
4 to 5 years	**5.49**	5.56	**220.0**	60.0	**(12.4)**	(4.3)
5 years or more	**3.91**	5.41	**430.0**	230.0	**7.3**	(11.4)
			2,000.0	3,159.0	**(60.8)**	(193.9)

The aggregate notional principal amount of the outstanding interest rate swap contracts at 30 June 2013 was $2,000.0 million (2012: $3,159.0 million). Included in this amount are $475.0 million (2012: $400.0 million) of forward interest rate swap contracts, of which $20.0 million commences in the 2014 financial year, $345.0 million commences in the 2015 financial year and $110.0 million commences in the 2016 financial year.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. The consolidated entity will settle the difference between the fixed and floating interest rate on a net basis.

Note 53 - Financial instruments (cont'd)

(e) Interest rate risk management (cont'd)

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

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

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately to profit or loss. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

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

Hedging reserve	2013 $m	2012 $m
Balance at beginning of financial year	**(26.7)**	(2.7)
Gain/(loss) in fair value of cash flow hedges	**1.4**	(39.4)
Reclassified to finance costs	**14.2**	5.2
Income tax on items taken directly to or reclassified from equity	**(4.7)**	10.2
Balance at end of financial year	**(15.8)**	(26.7)
Cash flow ineffectiveness recognised immediately in profit or loss	**-**	-

Interest rate sensitivity

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

At the end of the reporting period, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's profit after tax and other comprehensive income would have been affected as follows:

	Profit after tax Increase/(decrease)		Other comprehensive Increase/(decrease)	
	2013 $m	**2012 $m**	**2013 $m**	**2012 $m**
Interest rates +0.5% (50 basis points)	**(4.6)**	1.1	**18.6**	28.3
Interest rates -0.5% (50 basis points)	**4.6**	(1.1)	**(19.2)**	(28.9)

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

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

Note 53 - Financial instruments (cont'd)

(f) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Foreign currency risk arises primarily from overseas term borrowings and firm commitments for the purchase of plant and equipment which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and cross currency swap contracts.

Forward foreign exchange contracts - cash flow hedges

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

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

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

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

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately to profit or loss. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

The following table details the forward foreign exchange contracts outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Outstanding contracts			**FCm**	**FCm**	**$m**	**$m**	**$m**	**$m**
Cash flow hedges								
Buy US dollars								
Less than 6 months	**0.961**	0.993	**1.4**	43.5	**1.5**	43.8	**0.1**	(2.3)
6 to 12 months	**-**	0.978	**-**	18.0	**-**	18.4	**-**	(0.4)
1 to 2 years	**-**	-	**-**	-	**-**	-	**-**	-
Buy Euro								
Less than 6 months	**0.691**	0.635	**1.8**	23.7	**2.5**	37.3	**-**	(7.9)
6 to 12 months	**-**	-	**-**	-	**-**	-	**-**	-
1 to 2 years	**-**	-	**-**	-	**-**	-	**-**	-
							0.1	(10.6)

Note 53 - Financial instruments (cont'd)

(f) Foreign currency risk management (cont'd)

Cross currency swap contracts

Under cross currency swap contracts, the consolidated entity has agreed to exchange specified foreign currency loan principal and interest amounts at agreed future dates at fixed exchange rates. Such contracts enable the consolidated entity to eliminate the risk of movements in foreign exchange rates related to foreign currency denominated borrowings.

The fair value of cross currency swaps at 30 June 2013 was a liability of $2.9 million (2012: $20.4 million), of which $12.5 million (2011: $20.1 million) is in a cash flow hedge relationship and -$9.6 million (2011: $0.3 million) is in a fair value hedge relationship.

The following table details the cross currency swap contracts outstanding at the end of the reporting period:

	Average interest rate		Average exchange rate		Contract value		Fair value	
	2013	2012	2013	2012	2013	2012	2013	2012
Outstanding contracts	**%**	**%**			**$m**	**$m**	**$m**	**$m**
Buy US dollars								
5 years or more	**5.80**	7.02	**0.888**	0.888	**337.8**	337.8	**(2.9)**	(20.4)

The following table details the movements in the hedging reserve from forward foreign exchange contracts and cross currency swap contracts:

Hedging reserve	2013 $m	2012 $m
Balance at beginning of financial year	**(21.5)**	(56.8)
Gain in fair value of cash flow hedges	**12.3**	3.5
Reclassified to finance costs	**6.6**	6.6
Transferred to plant and equipment	**7.1**	40.3
Income tax on items taken directly to or transferred from equity	**(7.7)**	(15.1)
Balance at end of financial year	**(3.2)**	(21.5)
Cash flow ineffectiveness recognised immediately in profit or loss	**-**	-

Foreign currency sensitivity

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

The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates.

At the end of the reporting period, if the Australian dollar had been 10% higher or lower and all other variables were held constant, the consolidated entity's profit after tax and other comprehensive income would have been affected as follows:

	Profit after tax Increase/(decrease)		Other comprehensive Increase/(decrease)	
	2013 $m	2012 $m	2013 $m	2012 $m
US dollar +10%	**-**	-	**(5.5)**	(3.8)
US dollar -10%	**-**	-	**14.2**	4.6
Euro +10%	**-**	-	**(0.2)**	(1.9)
Euro -10%	**-**	-	**0.3**	2.3

The movement in other comprehensive income is due to an increase/decrease in the fair value of forward foreign exchange contracts designated as cash flow hedges.

Note 53 - Financial instruments (cont'd)

(g) Energy price risk management

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

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

It is the policy of the consolidated entity to actively manage the energy price exposure arising from both forecast energy supply and retail customer energy load. The consolidated entity's risk management policy for energy price risk is to hedge forecast future positions for up to five years into the future.

Exposures to fluctuations in the wholesale market energy prices are managed through the use of various types of hedge contracts including derivative financial instruments.

The following table details the fair value of energy derivatives outstanding at the end of the reporting period:

	2013 $m	2012 $m
Energy derivative financial assets - current		
Energy derivatives - cash flow hedges	**28.5**	120.6
Energy derivatives - economic hedges	**131.9**	58.8
	160.4	179.4
Energy derivative financial assets - non-current		
Energy derivatives - cash flow hedges	**5.4**	9.9
Energy derivatives - economic hedges	**323.7**	419.8
	329.1	429.7
Energy derivative financial liabilities - current		
Energy derivatives - cash flow hedges	**7.9**	27.0
Energy derivatives - economic hedges	**362.2**	368.1
	370.1	395.1
Energy derivative financial liabilities - non-current		
Energy derivatives - cash flow hedges	**6.7**	5.3
	6.7	5.3

Energy derivatives - cash flow hedges

Derivative financial instruments are used by the consolidated entity in the normal course of business in order to hedge exposure to fluctuations in energy prices. The aggregate notional volumes of the outstanding energy derivatives at 30 June 2013 were 46.9 million MWh (2012: 43.8 million MWh). Energy derivatives are either designated in cash flow hedge relationships or remain non-designated.

The effective portion of changes in the fair value of energy derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss as part of gain/(loss) in fair value of financial instruments. Amounts previously recognised in other comprehensive income and accumulated in equity in the hedging reserve are reclassified to profit or loss and included in cost of sales in each period in which the underlying purchase or sale transactions are recognised.

When a forecast position is no longer expected to occur, the corresponding hedge is de-designated and its fair value gain or loss accumulated in equity is recognised immediately to profit or loss. During the year, no hedges were de-designated and all underlying forecast positions remain highly probable to occur.

Note 53 - Financial instruments (cont'd)

(g) Energy price risk management (cont'd)

Energy derivatives - economic hedges

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

The following table details the movements in the hedging reserve from energy derivatives:

Hedging reserve	2013 $m	2012 $m
Balance at beginning of financial year	**67.6**	(40.3)
Gain in fair value of cash flow hedges	**26.5**	50.0
Reclassified to cost of sales	**(103.6)**	104.1
Income tax on items taken directly to or transferred from equity	**23.1**	(46.2)
Balance at end of financial year	**13.6**	67.6
Cash flow ineffectiveness loss recognised immediately in profit or loss	**-**	-

Energy price sensitivity

The following table details the sensitivity to a 10% increase or decrease in the energy contract market forward prices. A sensitivity of 10% has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in market prices.

At the end of the reporting period, if the forward prices had been 10% higher or lower and all other variables were held constant, the consolidated entity's profit after tax and other comprehensive income would have been affected as follows:

	Profit after tax Increase/(decrease)		Other comprehensive Increase/(decrease)	
	2013 $m	2012 $m	2013 $m	2012 $m
Energy forward price +10%	**12.1**	6.6	**59.7**	80.4
Energy forward price -10%	**(14.9)**	(10.7)	**(59.7)**	(78.4)

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

(h) Other price risks

The consolidated entity's exposure to equity price risk is minimal. Equity price risk arises from an equity investment in an ASX listed entity and which is classified in the statement of financial position as available-for-sale financial assets. The investment is held for strategic rather than trading purposes.

The price risk for the listed investment is immaterial in terms of the possible impact on profit or loss or other comprehensive income and as such a sensitivity analysis has not been completed.

Note 53 - Financial instruments (cont'd)

(i) Credit risk management

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

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

Trade and other receivables consist of over 3.5 million residential, small business and large commercial and industrial customers, in New South Wales, Victoria, South Australia and Queensland. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for doubtful debts is raised. The consolidated entity does not have any significant credit risk exposure to any single customer or any group of customers. For further details regarding trade and other receivables, refer to Note 13.

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

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

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

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

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

The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

The consolidated entity does not hold any collateral or other credit enhancements to cover this credit risk.

Note 53 - Financial instruments (cont'd)

(j) Liquidity risk management

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of the consolidated entity's short-, medium- and long-term funding and liquidity management requirements.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Note 31 sets out details of undrawn financing facilities that the consolidated entity has access to at the end of the reporting period.

The following table details the consolidated entity's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the consolidated entity may be required to pay.

	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
2013						
Non-derivative financial liabilities						
Trade and other payables	**1,299.2**	**144.8**	**-**	**-**	**-**	**1,444.0**
USD senior notes	**8.5**	**8.5**	**17.0**	**50.9**	**437.6**	**522.5**
Subordinated notes	**21.0**	**21.0**	**43.0**	**138.8**	**1,784.5**	**2,008.3**
Bank loans	**144.5**	**143.7**	**872.2**	**1,250.5**	**380.9**	**2,791.8**
Other loans	**10.2**	**10.1**	**20.1**	**59.4**	**203.8**	**303.6**
Finance lease liabilities	**0.8**	**0.7**	**1.2**	**-**	**178.4**	**181.1**
Deferred consideration	**-**	**30.7**	**31.5**	**99.3**	**346.0**	**507.5**
Contingent consideration	**1.6**	**-**	**-**	**-**	**-**	**1.6**
	1,485.8	**359.5**	**985.0**	**1,598.9**	**3,331.2**	**7,760.4**
2012						
Non-derivative financial liabilities						
Trade and other payables	1,158.4	-	-	-	-	1,158.4
USD senior notes	7.6	7.6	15.1	45.4	439.9	515.6
Subordinated notes	26.7	29.4	59.4	191.5	2,061.3	2,368.3
Bank loans	834.5	125.7	249.0	2,249.1	527.3	3,985.6
Other loans	5.7	7.3	25.7	75.7	249.0	363.4
Finance lease liabilities	0.8	0.8	-	14.5	178.4	194.5
Deferred consideration	-	30.0	30.7	96.8	386.3	543.8
Contingent consideration	3.1	-	1.6	-	-	4.7
	2,036.8	200.8	381.5	2,673.0	3,842.2	9,134.3

Note 53 - Financial instruments (cont'd)

(j) Liquidity risk management (cont'd)

The following table details the consolidated entity's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the consolidated entity's liquidity risk management, as the liquidity is managed on a net asset and liability basis.

	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
2013						
Non-derivative financial assets						
Cash and cash equivalents	**286.4**	**-**	**-**	**-**	**-**	**286.4**
Trade and other receivables	**1,797.8**	**2.5**	**5.0**	**15.1**	**62.0**	**1,882.4**
Futures deposits and margin calls	**18.3**	**-**	**-**	**-**	**-**	**18.3**
	2,102.5	**2.5**	**5.0**	**15.1**	**62.0**	**2,187.1**
2012						
Non-derivative financial assets						
Cash and cash equivalents	1,824.3	-	-	-	-	1,824.3
Trade and other receivables	1,531.4	-	-	-	-	1,531.4
Futures deposits and margin calls	26.5	-	-	-	-	26.5
Loans to associates and jointly controlled entities	89.7	-	1.5	-	-	91.2
	3,471.9	-	1.5	-	-	3,473.4

The following table details the consolidated entity's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on those derivatives instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. For interest rate swaps, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
2013						
Derivative financial instruments						
Gross settled						
- Cross currency swap contracts - pay leg	**(9.2)**	**(8.8)**	**(18.9)**	**(68.8)**	**(487.8)**	**(593.5)**
- Cross currency swap contracts - receive leg	**8.5**	**8.5**	**17.0**	**50.9**	**437.6**	**522.5**
Net pay	**(0.7)**	**(0.3)**	**(1.9)**	**(17.9)**	**(50.2)**	**(71.0)**
Net settled						
- Interest rate swap contracts	**(16.4)**	**(16.6)**	**(27.6)**	**(15.5)**	**12.1**	**(64.0)**
- Forward foreign exchange contracts	**8.2**	**-**	**-**	**-**	**-**	**8.2**
- Energy derivatives	**(108.3)**	**(103.7)**	**(75.4)**	**(125.0)**	**-**	**(412.4)**
	(117.2)	**(120.6)**	**(104.9)**	**(158.4)**	**(38.1)**	**(539.2)**
2012						
Derivative financial instruments						
Gross settled						
- Cross currency swap contracts - pay leg	(10.5)	(10.4)	(19.1)	(66.5)	(497.9)	(604.4)
- Cross currency swap contracts - receive leg	7.6	7.6	15.1	45.4	397.2	472.9
Net pay	(2.9)	(2.8)	(4.0)	(21.1)	(100.7)	(131.5)
Net settled						
- Interest rate swap contracts	(30.1)	(35.5)	(65.0)	(78.5)	(2.8)	(211.9)
- Forward foreign exchange contracts	(10.1)	(0.4)	-	-	-	(10.5)
- Energy derivatives	(201.9)	(68.3)	(53.6)	(9.6)	-	(333.4)
	(245.0)	(107.0)	(122.6)	(109.2)	(103.5)	(687.3)

Note 53 - Financial instruments (cont'd)

(k) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2013				
Financial assets				
Available-for-sale financial assets				
- Shares in listed entities	**0.3**	**-**	**-**	**0.3**
Derivative financial instruments				
- Interest rate swap contracts - cash flow hedges	**-**	**9.1**	**-**	**9.1**
- Forward foreign exchange contracts - cash flow hedges	**-**	**8.2**	**-**	**8.2**
- Energy derivatives - cash flow hedges	**-**	**33.9**	**-**	**33.9**
- Energy derivatives - economic hedges	**3.6**	**124.1**	**327.9**	**455.6**
	3.9	**175.3**	**327.9**	**507.1**
Financial liabilities				
Derivative financial instruments				
- Cross currency swap contracts - cash flow and fair value hedges	**-**	**(2.9)**	-	**(2.9)**
- Interest rate swap contracts - cash flow hedges	**-**	**(69.9)**	**-**	**(69.9)**
- Energy derivatives - cash flow hedges	**-**	**(14.6)**	**-**	**(14.6)**
- Energy derivatives - economic hedges	**(10.6)**	**(247.7)**	**(103.9)**	**(362.2)**
	(10.6)	**(335.1)**	**(103.9)**	**(449.6)**
2012				
Financial assets				
Available-for-sale financial assets				
- Shares in listed entities	0.3	-	-	0.3
Derivative financial instruments				
- Interest rate swap contracts - cash flow hedges	-	0.1	-	0.1
- Energy derivatives - cash flow hedges	-	130.5	-	130.5
- Energy derivatives - economic hedges	8.2	50.5	419.8	478.5
	8.5	181.1	419.8	609.4
Financial liabilities				
Derivative financial instruments				
- Cross currency swap contracts - cash flow and fair value hedges	-	(20.4)	-	(20.4)
- Interest rate swap contracts - cash flow hedges	-	(194.0)	-	(194.0)
- Forward foreign exchange contracts - cash flow hedges	-	(10.6)	-	(10.6)
- Energy derivatives - cash flow hedges	-	(32.3)	-	(32.3)
- Energy derivatives - economic hedges	(18.3)	(276.9)	(72.9)	(368.1)
	(18.3)	(534.2)	(72.9)	(625.4)

Note 53 - Financial instruments (cont'd)

(k) Fair value measurements (cont'd)

There were no material transfers between Level 1 and Level 2 during the year.

The fair value of financial instruments with standard terms and conditions and traded in active liquid markets (such as publicly traded derivatives and listed equity investments) is determined with reference to quoted market prices at the end of the reporting period. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. The fair value of forward foreign exchange contracts and energy swap contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period. Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. These derivative financial instruments are included in Level 2.

In the circumstances where a valuation technique for derivative financial instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

	Energy derivatives	
	2013	2012
	$m	$m
Opening balance	**346.9**	18.2
Total gains and losses recognised in profit or loss	**(25.3)**	(158.1)
Purchases	**0.5**	-
Settlements	**21.9**	94.1
Transfers in from Level 2	**-**	(27.1)
Acquisition through business combination	**-**	419.8
Fair value adjustments on prior year acquisitions	**(120.0)**	-
Closing balance	**224.0**	346.9

The total gains or losses for the year included a gain of $6.2 million relating to energy derivative contracts held at the end of the reporting period (2012: a loss of $75.9 million). Fair value gains or losses on energy derivatives are included in other expenses in the line item '(gain)/loss in fair value of financial instruments' in Note 7.

Note 54 - Subsequent events

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

Australian Power and Gas Company Limited

On 15 July 2013, AGL announced it had entered into agreements for the outright acquisition of 19.9% of the issued shares of Australian Power and Gas Company Limited (APG), and that it intended to make an off-market takeover offer to acquire all of the issued shares of APG that it does not currently have an interest in at $0.52 cash per share. The offer places an implicit enterprise valuation on APG of $158.0 million.

On 8 August 2013, AGL issued the bidder statement inviting APG shareholders to accept a $0.52 cash per share offer from AGL.

On 23 August 2013, APG issued its target's statement with the Independent Directors of APG recommending acceptance of AGL's offer and stating that the Independent Expert has concluded that the offer of $0.52 cash per share is fair and reasonable to Shareholders not associated with AGL.

Solar projects

On 31 July 2013, AGL announced that two large-scale solar photovoltaic (PV) projects are set to proceed after achieving financial close in respect of funding agreements with the Australian Renewable Energy Agency (ARENA) and the NSW Government.

The AGL solar projects will include a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill. The total project cost is approximately $450.0 million. To support AGL's delivery of the projects, ARENA will provide $166.7 million and the NSW Government will provide $64.9 million.

Final dividend

On 28 August 2013, the Directors of AGL resolved to pay a fully franked final dividend of 33.0 cents per share, amounting to $182.9 million. The record date for the final dividend is 6 September 2013 with payment to be made on 27 September 2013. Shares will commence trading ex-dividend on 2 September 2013.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at a 1.5% discount to 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 10 September 2013.

Note 55 - Parent Entity information

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the consolidated entity.

	2013 $m	2012 $m
Financial position		
Assets		
Current assets	**348.0**	1,373.5
Non-current assets	**10,724.6**	9,641.0
Total assets	**11,072.6**	11,014.5
Liabilities		
Current liabilities	**442.6**	274.7
Non-current liabilities	**4,988.4**	4,841.8
Total liabilities	**5,431.0**	5,116.5
Equity		
Issued capital	**5,353.6**	5,227.3
Reserves		
Investments revaluation	**(0.1)**	-
Employee equity benefits	**3.6**	2.6
Hedging	**(21.2)**	(41.3)
Retained earnings	**305.7**	709.4
Total equity	**5,641.6**	5,898.0
Financial performance		
Loss for the year	**(68.9)**	(111.9)
Other comprehensive income	**25.4**	(33.4)
Total comprehensive income for the year	**(43.5)**	(145.3)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The Parent Entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts in respect of its wholly-owned subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 43 and 47 respectively.

Contingent liabilities
The Directors are of the opinion that provisions are not required in respect of the following 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.

The Parent 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 Parent Entity has given warranties and indemnities in relation to tax related matters, environmental and other specific liabilities.

The Parent Entity is a 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 Parent Entity.

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

Capital expenditure commitments
As at 30 June 2013, the Parent Entity had commitments for the acquisition of property, plant and equipment of $nil (2012: $nil) and its share of joint venture operations capital commitments was $35.8 million (2012: $11.7 million).

	2013	2012
	$	$
Note 56 - Net tangible asset backing		
Net tangible asset backing per ordinary share	**7.56**	7.26

Net tangible assets are defined as net assets of the consolidated entity less intangible assets. The number of AGL shares on issue at the end of the reporting period was 554.2 million (2012: 545.9 million).

Directors' Declaration
For the year ended 30 June 2013

The Directors of AGL Energy Limited declare that:

(a) in their opinion, there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable;

(b) in their opinion, the financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 1(a) to the financial statements;

(c) in their opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

(d) in their opinion, there are reasonable grounds to believe that the Parent Entity and the subsidiaries identified in Note 43 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Class Order 98/1418; and

(e) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of the Directors

Jeremy Maycock
Chairman

Sydney, 28 August 2013

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

28 August 2013

Dear Board Members

AGL Energy Limited

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

As lead audit partner for the audit of the financial statements of AGL Energy Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants

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Independent Auditor's Report to the Members of AGL Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of AGL Energy Limited, which comprises the Consolidated Statement of Financial Position as at 30 June 2013, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 3 to 104 of the AGL Financial Report 2013.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AGL Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of AGL Energy Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 30 of the Directors' Report for the year ended 30 June 2013. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of AGL Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 28 August 2013