AGL Energy Limited
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ASX Release

AGL FY15 Financial Reports

12 August 2015

The Directors' Report released earlier today contained two typographical errors as follows:

- Page 5 incorrectly stated that the aggregate dividend payment for the year was 34.0 cents rather than 64.0 cents; and
- Page 59 incorrectly stated the Committee fees payable to Directors. Chairs of Other Committees receive $36,000 (rather than $24,700) and Members of the Audit and Risk Management Committee receive $24,700 (rather than $36,000).

An amended set of financial reports are attached as follows:

- ASX Appendix 4E
- Directors' Report
- Financial Report

Paul McWilliams
Company Secretary

Further inquiries:

Investors

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About AGL

AGL is one of Australia's leading integrated energy companies. It is taking action to responsibly reduce its greenhouse gas emissions while providing secure and affordable energy to its customers. Drawing on over 175 years of experience, AGL serves its customers throughout eastern Australia with meeting their energy requirements, including gas, electricity, solar PV and related products and services. 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, solar, landfill gas and biomass.

Appendix 4E

AGL Energy Limited
ABN 74 115 061 375

Preliminary Final Report

Results for announcement to the market for the year ended 30 June 2015

				2015 $A million	2014 $A million
Revenue	**Up**	**2.2%**	to	**10,678**	10,445
Statutory Profit after tax attributable to shareholders	**Down**	**61.8%**	to	**218**	570
Underlying Profit after tax attributable to shareholders	**Up**	**12.1%**	to	**630**	562
				cents	cents
Statutory Earnings per share	**Down**	**66.1%**	to	**33.3**	98.2
Underlying Earnings per share	**Down**	**0.5%**	to	**96.4**	96.9
				$	$
Net tangible asset backing per share	**Up**	**6.1%**	to	**8.22**	7.75

Dividends	Amount cents	Franked amount cents
Final dividend per ordinary share	34.0	34.0
Interim dividend per ordinary share	30.0	30.0

Record date for determining entitlements to the final dividend:
27 August 2015 and payable 24 September 2015

Brief explanation of Underlying Profit and Underlying Earnings per share:
Statutory Profit and Statutory Earnings per share are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Statutory Profit after tax of $218 million included a loss of $578 million after tax treated as significant items and a gain of $166 million after tax from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit was $630 million, 12.1% up on the prior corresponding period.

Underlying Profit is reported to give information to shareholders that provides a greater understanding of the performance of AGL Energy Limited's (AGL's) operations. AGL believes Underlying Profit is useful as it removes significant items and timing mismatches between the fair value of derivatives and the underlying asset being hedged thereby facilitating a more representative comparison of financial performance between financial periods.

This report should be read in conjunction with the AGL Directors' Report incorporating the Operating and Financial Review and AGL Financial Report for the year ended 30 June 2015 released to the market on 12 August 2015.

Directors’ Report 2015

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 2015 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 ‘AGL’.

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, Belinda Hutchinson, Sandra McPhee, Bruce Phillips, John Stanhope

Executive Directors: Michael Fraser (retired 11 February 2015), Andy Vesey (commenced 12 February 2015)

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

Non-executive Director since October 2006 and Chairman since October 2010. Age 63.

Directorships: Chairman of Arrium Limited (commenced as a Director on 19 August 2014 and as Chairman on 17 November 2014) and of Port of Brisbane Pty Ltd. He is a Director of The Smith Family and he ceased as a Director of Nuplex Limited (commenced in 2011 and resigned on 20 August 2014).

Experience: Jerry’s commercial experience spans 42 years, in senior executive and non-executive roles in significant Australian and international companies.

Andy Vesey
BA (Econ), BSc (Mec. Eng.), MS

Managing Director and Chief Executive Officer since February 2015. Age 60.

Directorships: Nil

Experience: Andy has over 30 years of experience in the energy industry including strategic and commercial leadership of large energy organisations, and working in complex regulatory and political environments. His experience extends across the energy supply chain, including power development, generation, distribution and retail businesses. Andy commenced with AGL in January 2015, officially taking over as Managing Director and Chief Executive Officer on 12 February 2015.

Les Hosking

Non-executive Director since November 2008. Age 70.

Directorships: Chairman of Adelaide Brighton Limited.

Experience: Les 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. He was previously a Director of The Carbon Market Institute (ceased 27 November 2014), Innovation Australia Pty Limited, Australian Energy Market Operator (AEMO) (ceased 6 November 2014), Australian Energy Market Operator (Transition) Limited (AEMO), Managing Director and Chief Executive Officer of NEMMCo and a non-executive Director of NEMMCo.

Graeme Hunt
MBA, BMET

Non-executive Director since September 2012. Age 58.

Directorships: Managing Director of Transfield Services Limited and Chair of the National Resources Science Precinct. He is President of the Australian Mines and Metals Association (commenced in March 2015).

Experience: Graeme has extensive experience in establishing and operating large capital projects. He was previously a non-executive Director of Transfield Services Limited, Managing Director of G. P. Hunt Associates Pty Ltd and Chief Executive Officer of Lihir Gold Limited. He has also held a number of senior executive positions with the BHP Billiton Group.

Composition of Board Committees as at 30 June 2015

Director	Status	Audit and Risk Management Committee	People and Performance Committee	Safety, Sustainability and Corporate Responsibility Committee	Nominations Committee
Jeremy Maycock	Independent				Chair
Andy Vesey	Managing Director and Chief Executive Officer				
Les Hosking	Independent	•	Chair		•
Graeme Hunt	Independent		•	•	•

Belinda Hutchinson
AM, BEc, FCA, FAICD

Non-executive Director since December 2010.
Age 62.

Directorships: Chancellor of the University of Sydney; Chairman of Future General Global Investment Company, a Director of Australian Philanthropic Services, and a Member of the Salvation Army Eastern Territory Advisory Board and of St Vincent's Health Australia NSW Advisory Council.

Experience: Belinda has had extensive experience in non-executive roles including as Chairman of QBE Insurance Group, a Director of Telstra Corporation, Coles Myer, Crane Group, Energy Australia, TAB, Snowy Hydro Trading and Sydney Water. Her executive career included her role as an Executive Director of Macquarie Group; a Vice President of Citibank, and a senior manager at Andersen Consulting.

Sandra McPhee
AM, Dip Ed, FAICD

Non-executive Director since October 2006.
Age 69.

Directorships: A Director of Fairfax Media Limited, Kathmandu Holdings Limited and of Tourism Australia.

Experience: Sandra has extensive experience as a non-executive Director and senior executive in a number of consumer oriented industries including retail, aviation and tourism. She was previously a Director of Scentre Group Limited (commenced on 30 June 2014 and retired on 7 May 2015), Westfield Retail Trust, Australia Post, Coles Group Limited, Perpetual Limited, Primelife Corporation Limited, St Vincent's & Mater Health Sydney, CARE Australia and Vice President of The Art Gallery of New South Wales.

Bruce Phillips
BSc (Hons) PESA, ASEG

Non-executive Director since August 2007.
Age 60.

Directorships: Chairman of AWE Limited and a Director of ALS Limited (commenced on 1 August 2015).

Experience: Bruce is an energy industry expert with 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), ceased as Chairman and as a Director of Platinum Capital Limited (commenced as a Director in 2009 and retired on 5 June 2015) and was previously a Director of Sunshine Gas Limited.

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

Non-executive Director since March 2009.
Age 64

Directorships: Chairman of Australia Post, a Director of The Bionics Institute of Australia, of Melbourne Jazz Limited and a member of the Council of Deakin University.

Experience: John has many years of experience in senior positions in financial, communications and other commercial roles. He was previously a member of the Financial Reporting Council, and a Director of RACV Ltd and of Telstra Corporation Limited.

Composition of Board Committees as at 30 June 2015

Director	Status	Audit and Risk Management Committee	People and Performance Committee	Safety, Sustainability and Corporate Responsibility Committee	Nominations Committee
Belinda Hutchinson	Independent	•	•		•
Sandra McPhee	Independent	•		Chair	•
Bruce Phillips	Independent	•		•	•
John Stanhope	Independent	Chair	•		•

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	79,499
Andy Vesey	73,000
Les Hosking	2,801
Graeme Hunt	1,500
Belinda Hutchinson	9,156
Sandra McPhee	20,546
Bruce Phillips	40,601
John Stanhope	4,669

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 in 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 and the Governance Institute of Australia. Paul has had more than 38 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 in 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 over 20 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	12	12	3	3							2	2
Andy Vesey	5	5	1	1								
Michael Fraser	7	7	1	2								
Les Hosking	12	12	3	3	5	5	4	4			2	2
Graeme Hunt	12	12	3	3			4	4	5	5	2	2
Belinda Hutchinson	11	12	3	3	5	5	4	4			2	2
Sandra McPhee	12	12	3	3	5	5			5	5	1	2
Bruce Phillips	12	12	3	3	5	5			5	5	2	2
John Stanhope	12	12	3	3	5	5	4	4			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 25 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.

Principal Activities

- Buying and selling of gas and electricity and related products and services;
- Construction and/or operation of power generation and energy processing infrastructure;
- Development and operation of natural gas storage facilities; and
- Exploration, extraction, production and sale of natural gas.

Review of operations

A review of the operations and results of AGL during the year is set out in the AGL Operating and Financial Review, which is attached to and forms part of this Directors' Report.

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.

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.

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 with a commercial advantage.

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 Note 30 of the Financial Report 2015.

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 $339,000 of non-audit or assurance 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 2015.

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 million dollars, unless otherwise stated.

Remuneration

The Remuneration Report is attached to and forms part of this Directors' Report.

Dividends

The annual dividend for the year ended 30 June 2015 was 64.0 cents per share compared with 63.0 cents per share for the prior year.

The following dividends have been paid or declared by the Directors since 30 June 2014:

Final dividend of 33.0 cents per share (100% franked) paid on 30 September 2014	$185 million
Interim dividend of 30.0 cents per share (100% franked) paid on 25 March 2015	$202 million
Final dividend of 34.0 cents per share (100% franked) payable on 24 September 2015	$229 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 non-compliances which became subject of significant environmental regulation under relevant legislation during the financial year (that is, those which resulted in regulatory action such as a penalty infringement notice and official caution). Improvement actions have been implemented to address each of the issues listed.

AGL businesses also had other non-compliances which did not result in regulatory action. These have been notified accordingly to the relevant regulator as required under relevant legislation. For example, in relation to the Gloucester Gas Project, AGL has notified the NSW Environment Protection Authority (EPA) about exceedances of limits set out in its environment protection licence (EPL). The EPA confirmed that no enforcement action will be taken on this matter, but that it will continue to regulate AGL's activities through changes in its EPL. Similarly, in relation to the Bayswater Power Station and Liddell Power Station, the relevant AGL business has reported incidents to the EPA in accordance with requirements of the EPLs for those sites and apart from the non-compliance listed in Table 1 below, no regulatory action has been taken by the EPA as at the date of this Report.

More information on the Group's environmental performance is published in AGL's Sustainability Performance Report 2015, available on the AGL website in late 2015.

Table 1 – Summary of AGL's non-compliances subject of significant environmental regulation during the financial year

Site	Key Environment and Planning legislation	Comments
Rosalind Park Gas Plant, Camden Gas Project, NSW	Protection of the Environment Operations Act 1997	During a start-up of the Rosalind Park Gas Plant, a pressure safety valve on the gas/water separator at Spring Farm 05 well activated and natural gas was released to the atmosphere from the pressure safety valve vent. AGL and the EPA investigated the incident and identified that an accumulation of coal fines in a pressure transmitter resulted in incorrect pressure readings being transmitted from the wellhead to the control room, resulting in the opening of the well remotely and release of natural gas from the pressure safety valve vent line. The investigation also identified that there was no actual or potential material harm to human health or to ecosystems. The EPA imposed a Penalty Infringement Notice ($15,000) for failure to comply with an Environment Protection Licence condition relating to maintenance of plant and equipment. AGL has implemented corrective actions to reduce the likelihood of this incident re-occurring.
AGL Macquarie Liddell Power Station and Bayswater Power Station, NSW **(AGL Macquarie was acquired by AGL on 2 September 2014)**	Protection of the Environment Operations Act 1997	On 28 October, 1 and 21 November 2014, AGL reported to the EPA that ash and dust laden water overflowed from the Liddell Ash Dump Valve Basin into Tinkers Creek after a pump on the ash pipeline failed. The EPA issued an official letter of caution in relation to the releases. Key actions to prevent ash releases to Tinkers Creek were agreed with EPA prior to AGL's acquisition of AGL Macquarie and are being implemented in accordance with agreed timeframes. On 29 January 2015 ash slurry was released into the storm water drain system following the failure of an ash pipeline. Some of the ash entered into Lake Liddell. The EPA issued an official letter of caution in relation to the release. Changes to maintenance and operations are being implemented to prevent ash entering stormwater systems. On 11 March 2015, approximately 1,000 litres of ferric chloride entered the Bayswater Power Station storm water system which flows to Tinkers Creek. On 14 July 2015 (that is, outside the relevant period of this report), the EPA issued an official caution in response to the incident. Investigation found that the primary cause of the incident was the failure to prepare a correct work instruction. Corrective actions have been implemented to prevent a recurrence. On 9 April 2015, the pH limit prescribed by the Environment Protection Licence was exceeded at the Tinkers Creek monitoring station. The elevated pH level was caused by the discharge of water containing ammonia from the Bayswater Station ammonia storage tank which was undergoing a cleaning and re-certification process. AGL Macquarie stopped related work and reported the event to the EPA as soon as the elevated pH levels were detected. On 4 August 2015 (that is, outside the relevant period of this report), the EPA issued a $15,000 Penalty Infringement Notice in relation to the licence breach together with two official cautions. Investigation found the incident did not result in harm to the environment. Corrective actions implemented included a review of operational procedures and further environmental awareness training for employees.

AGL Energy Limited
Operating and Financial Review

For the year ended 30 June 2015

This report is attached to and forms part of the Directors' Report

Contents

Operating and Financial Review

1. AGL's Business Strategies and Prospects

1.1. About AGL

AGL is one of Australia's leading integrated energy companies. It is taking action to responsibly reduce its greenhouse gas emissions while providing secure and affordable energy to its customers. Drawing on over 175 years of experience, AGL serves its customers throughout eastern Australia by meeting their energy requirements, including gas, electricity, solar PV and related products and services. 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, solar, landfill gas and biomass.

1.2. Operating Segments

AGL's segment results are reported according to the internal management reporting structure at the reporting date. A restatement of these segments is outlined and reconciled at section 2.2. AGL has four reportable operating segments:

- **Energy Markets** comprises three business units: Wholesale Markets, Consumer Market and Business Customers. It is responsible for managing the risks associated with satisfying the gas and electricity requirements of AGL's wholesale, consumer and business portfolios. It also sells natural gas, electricity and energy related products and services to Consumer Market and Business Customers, currently servicing over 3.7 million customer accounts.

- **Group Operations** is a diverse power generation portfolio, spread across traditional thermal generation, natural gas (formerly Upstream Gas), gas storage, and renewable sources including hydro, wind and solar.

- **New Energy** was formed in 2014 to drive AGL's capabilities in taking new and distributed technologies to market in Australia. The business unit comprises Residential Energy Services, Business Energy Services, Distributed Energy Services, and the newly established Digital Metering business, ActiveStream.

- **Investments** include equity accounted investments in the ActewAGL Retail Partnership and Diamantina Holding Company Pty Limited.

1.3. Business Strategies and Prospects Overview

On 26 May 2015, AGL announced an outline of its strategic roadmap to deliver improved shareholder returns. The strategic roadmap builds on AGL's strengths, and recognises the challenges and opportunities in the existing business and as the energy industry evolves. The strategy will increase business productivity, drive retail growth and position AGL for success as the energy industry transforms. It recognises that an organisational transformation will be required, including the creation of an anticipatory culture and a commitment to an orderly transition to a carbon constrained future.

The strategic roadmap builds on AGL's many strengths, including a strong, well-recognised energy brand with over 3.7 million customer accounts; a stable, world-class customer relationship management platform with advanced analytic capability; the largest and lowest cost thermal electricity generation portfolio in the National Electricity Market (NEM); and a large renewable energy portfolio.

Against this backdrop, the retail energy environment is increasingly competitive, consumers are now more aware of their energy consumption, and digital technologies have enabled and increased expectations for price transparency and control.

Additionally, AGL operates in an industry heavily influenced by public policy and regulation. The company will continue to play an active role in promoting competitive neutrality and pro-competitive outcomes in public policies. Important areas of policy reform where AGL is currently focussing include consumer pricing and affordability frameworks; competitive and efficient retail energy markets; and carbon reduction policies. Continuing to address the needs of vulnerable customers remains a priority.

The existing centralised energy supply market is expected to provide near-to-mid term opportunities with an expected increase in wholesale electricity prices, although there are challenges in the long-term from the need to reduce carbon emissions, as well as from increasing penetration of decentralised generation and digital technologies.

AGL recognises that it plays a key role in reducing greenhouse gas emissions, at the same time as providing secure and affordable electricity for Australian households and businesses. AGL released its Greenhouse Gas Policy in April 2015, which included a range of commitments and priorities. These commitments will help drive AGL's success by helping mitigate risks to our business, supporting AGL's brand and retail position, and helping attract and retain talent.

In the long-term, energy markets will be transformed by new decentralised products and services, including solar PV, battery storage, connected appliances and smart grids.

AGL understands that it must overcome internal constraints and needs to create an anticipatory culture able to take advantage of opportunities in a changing market environment.

1.4. Strategic Roadmap

To address the challenges and deliver sustainable earnings growth, AGL's strategy is to harness energy insights to enrich customers. This strategy will be delivered through three key components.

1 Organise for Transformation
- Align structure with strategy
- Create anticipatory culture

2 Drive Productivity
- Improve capital allocation
- Improve operational efficiency

3 Unlock Growth
- Grow retail energy's share of value
- Invest in business models which exploit new technology

1.4.1. Organise for Transformation

Operating models of the past need to be changed and new organisational foundations need to be created to position AGL for the transformation occurring in the energy industry.

1.4.1.1. Create anticipatory culture

To survive and thrive in the changing environment, AGL will build agile business processes and systems able to anticipate, adapt and position it to take advantage of opportunities as they emerge. This ensures that the company acts entrepreneurially; that it has lean processes; that investments are evaluated rigorously and quickly; that scenario planning is employed; and that the company builds adaptive business partnerships and supply chains. AGL's new organisational structure which was recently announced will facilitate this internal cultural change. The company is also developing a deep and growing talent pool.

1.4.2. Drive Productivity

The low growth in centralised energy demand and increasing industry competitiveness is requiring an increased focus on productivity improvements to deliver improved returns.

1.4.2.1. Improve capital allocation

AGL is conducting a thorough review of its asset portfolio and targeting around $1 billion in non-strategic and under-performing asset divestments by the end of FY17. Working capital reductions of around $200 million by the end of FY17 are also targeted.

AGL is committed to competing in retail gas markets which requires the company to secure cost-competitive gas supplies. This includes the company's recent Esso/BHP contract, its investment in gas storage and gas exploration and development. On 6 July 2015, AGL announced that, following a comprehensive review of its Upstream Gas business, it would focus on core gas projects and divest non-core and under-performing gas assets and activities.

In the meantime, the company is continuing to assess the Gloucester Gas Project which includes an evaluation of the cost to develop and the expected gas recovery. AGL has recently signed an agreement for the removal of flow back water to an approved treatment facility. This will enable AGL to conduct flow testing on the four Waukivory pilot wells over a period of approximately six months. Flow testing is an important step toward reaching a final investment decision (FID), now expected in 2016.

1.4.2.2. Improve operational productivity

AGL will drive an improvement in operational efficiency targeting around $170 million real reduction in its normalised operating cost base, and around $100 million real reduction in sustaining capital expenditure by FY17. AGL is committing to achieve below-CPI cost increases in electricity generation costs over FY16 and FY17.
Total recurring cash benefit targeted by FY17 is around $200 million after netting potential increases to power purchase agreement costs linked to some asset divestments.

1.4.3. Unlock Growth

AGL has significant growth opportunities both in its core retail business and in new closely-related businesses as new energy technologies become increasingly economic.

1.4.3.1. Grow retail energy's share of value

The retail energy market in the NEM is highly competitive, but remains relatively unsophisticated compared with other retail industries, such as telecommunications and banking. AGL has been successfully executing its retail growth strategy since June 2014 and will continue differentiating its retail business through initiatives which include:

- Applying sophisticated customer segmentation to focus customer acquisition, retention, loyalty and product and service innovation to drive higher customer value;
- Digital solutions to better meet customers' needs in a low-cost way; and
- Differentiating with new capabilities, such as AGL's digital meter capability and battery storage business, ahead of major retail competitors.

1.4.3.2. Invest in business models which exploit new technology

AGL's New Energy business has been established to embrace the major changes transforming the energy industry and to create new business models to meet customers' needs.
AGL intends to create one million 'smart' connections to consumers and businesses by 2020 by scaling to become one of the leading providers of metering services, rooftop solar, commercial energy services, energy storage and electric vehicle services.

AGL is well-placed to succeed in this new and changing environment given its large customer base, intimate knowledge of its customers' needs, its strong brand, sound balance sheet, and highly motivated and committed employees.

1.5. Financial Year 2016 Outlook

AGL has previously advised the market that it will improve operational efficiency and is targeting around $200 million real reduction in its normalised operating cost base, and around $100 million real reduction in sustaining capital expenditure by FY17. A significant portion of this cost improvement is expected to be achieved by 30 June 2016.

In addition, AGL is targeting around $1 billion in non-strategic and under-performing asset divestments by the end of FY17. The sale of AGL's 50 percent interest in the Macarthur Wind Farm is expected to be completed in the first half of FY16. Working capital reductions of around $200 million by the end of FY17 are also targeted.

Restructuring costs associated with the organisation restructure of approximately $20 million pre-tax are expected to be booked as Significant Items in FY16.

AGL will provide formal guidance of its FY16 earnings outlook at its Annual General Meeting on 30 September 2015.

2. AGL's FY15 Results

2.1. Results Overview

The consolidated profit after tax attributable to shareholders was $218 million (FY14: $570 million). The underlying profit after tax was $630 million (FY14: $562 million).

The following tables reconcile Statutory Profit to Underlying Profit.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory Profit	**218**	570
Adjust for the following after tax items:		
Significant items[1]	**578**	20
Changes in fair value of financial instruments[2]	**(166)**	(28)
Underlying Profit	**630**	562

	cents	cents (Restated)
EPS on Statutory Profit	**33.3**	98.2
EPS on Underlying Profit	**96.4**	96.9

[1] Section 2.3
[2] Section 5

Statutory and Underlying EPS for the prior corresponding period have been restated to reflect the bonus element of the rights issue completed in September 2014.

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.

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 statement of profit or loss 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. The Directors have had the consistency of the application of the policy reviewed by the external auditor of AGL.

Underlying Profit summary

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Revenue	**10,678**	10,445
Operating EBITDA	**1,505**	1,330
Operating EBIT by segment:		
Energy Markets	**2,063**	1,619
Group Operations	**(729)**	(473)
New Energy	**2**	21
Investments	**26**	23
Centrally Managed Expenses	**(236)**	(186)
Total Operating EBIT	**1,126**	1,004
Less Net finance costs	**(234)**	(223)
Underlying Profit before tax	**892**	781
Less Income tax expense	**(262)**	(219)
Underlying Profit	**630**	562

Underlying profit for the year ended 30 June 2015 (FY15) was 12.1% higher than the prior corresponding period (FY14) driven by AGL Macquarie performing above business case, return to more normal weather conditions and increased Queensland wholesale gas sales.

Distribution Use of System Restatement

As announced to the market on 22 January 2015, the Distribution Use of System (DUOS) costs in South Australia and Queensland have been restated in the FY14 figures. The result of this is a grossing up of revenue and cost of sales in the Energy Markets segment for both states.

The following table summarises this change in reporting:

	Year ended 30 June 2014 $m As published	DUOS restatement $m	Year ended 30 June 2014 $m Restated
Revenue	9,543	902	10,445
Expenses	(8,263)	(902)	(9,165)

There is no change to the reported Gross Margin, Statutory or Operating EBIT or Statutory or Underlying Profit.

2.2. Segment Restatement

On 29 July 2015, AGL announced that it has changed the basis for segment reporting to align it with the organisational structure announced on 16 April 2015 and the subsequent review and restructure of the Upstream Gas business.

This change is in accordance with Australian Accounting Standard AASB 8: Operating Segments, which requires companies to report segmental information on a similar basis as is used internally by management for reviewing segment performance.

The previous segments were: Retail Energy, Merchant Energy, Upstream Gas, Investments and Centrally Managed Expenses.

The new segments are: Energy Markets, Group Operations, New Energy, Investments and Centrally Managed Expenses.

There is no change to the reported profit in any periods, only movements between segments. To facilitate comparisons with performance in prior periods, AGL has provided the segment reconciliations below.

AGL Group	**Year ended 30 June 2015 $m**	Year ended 30 June 2014 $m
Revised Structure:		
Energy Markets	2,063	1,619
Group Operations	(729)	(473)
New Energy	2	21
Investments	26	23
Centrally Managed Expenses	(236)	(186)
Operating EBIT	**1,126**	**1,004**
Previous Structure:		
Retail Energy	1,086	318
Merchant Energy	323	899
Upstream Gas	(26)	(13)
Investments	6	23
Centrally Managed Expenses	(263)	(223)
Operating EBIT	**1,126**	**1,004**

2.3. Significant Items

	Year ended 30 June 2015		Year ended 30 June 2014	
	Pre-tax $m	**PAT $m**	Pre-tax $m	PAT $m
Upstream Gas				
Gloucester	**(275)**	**(193)**	-	-
Moranbah	**(321)**	**(237)**	-	-
Cooper Oil	**(7)**	**(5)**	-	-
Sub-total	**(603)**	**(435)**	**-**	**-**
Macquarie acquisition stamp duty	**(93)**	**(65)**	-	-
Macquarie elimination of derivative contracts	**(37)**	**(37)**	-	-
Macquarie acquisition and integration costs	**(22)**	**(15)**	(11)	(9)
Restructuring costs	**(25)**	**(18)**	-	-
Carbon repeal costs	**(12)**	**(8)**	-	-
APG acquisition	**-**	**-**	(50)	(35)
Tax items	**-**	**-**	-	24
Total significant items	**(792)**	**(578)**	(61)	(20)

2.3.1. Upstream gas

Current Year

On 6 July 2015, AGL announced that following a comprehensive review of its Upstream Gas business, it would focus on core gas projects and divest non-core and under-performing gas assets and activities.

Gloucester

A detailed in-house review of the valuation of the project was completed during the year. The review incorporated the effect of significant delays in production of first gas and the latest estimates of gas volumes, development costs and lower forward gas prices. The combined effect of these factors was to lower the valuation of the project. In advance of all work being completed to allow a final investment decision, AGL has recognised a provision for impairment of $193 million after tax.

Moranbah

For the previous 18 months, AGL had designated the Moranbah assets as "held for sale". In accordance with accounting standards, no depreciation charges associated with these assets was brought to account over this period. To date, the sale process has not identified a buyer of the Moranbah assets. Consequently, with effect from 30 June 2015, AGL has de-designated the "held for sale" classification and reinstated depreciation charges. This change in designation arises as a result of relevant accounting standards. From a commercial viewpoint a sale process for the asset is ongoing.

Historically the Moranbah assets have been valued collectively. A review of the assets has concluded that the Northern Queensland Energy (NQE) business should now be valued separately to recognise that lower than expected gas volumes are not generating sufficient revenue to cover the fixed costs associated with the Yabulu power purchase agreement and associated gas transportation agreement. This has resulted in an impairment charge totalling approximately $237 million after tax. This comprises onerous contract provisions of $262 million, the remaining book value of NQE of $34 million and depreciation previously not recognised on the entire Moranbah project for the 18 months to 30 June 2015 of $25 million less a tax effect benefit of $84 million.

Cooper Oil

The sale of Cooper Oil is underway and expected to result in a loss on sale of approximately $7 million before tax. An impairment charge has therefore been recognised in the FY15 financial statements in anticipation of this event.

Prior Year

Nil.

2.3.2. Merger and acquisition costs

Current Year

i. *Acquisition of Macquarie Generation*

AGL completed the acquisition of the Macquarie Generation assets on 2 September 2014. The following items were recognised as significant items in the period:

- Stamp duty included in the purchase price of $93 million before tax.
- Elimination of derivative contracts between Macquarie Generation and AGL of $37 million.
- Acquisition and integration costs of $22 million before tax including adviser fees, redundancies and other transaction costs.

Prior Year

i. *Acquisition of Australian Power and Gas Company Limited (APG)*

In FY14, the completion of the acquisition of APG on 25 October 2013 resulted in the recognition of the following costs as significant items:

- Acquisition related transaction costs of $16 million before tax including adviser fees, redundancies and other transaction costs.
- Break costs of $2 million before tax associated with terminating APG's funding facilities.
- Incremental contract costs of $21 million before tax associated with existing customer servicing arrangements.
- Termination costs of $11 million before tax associated with other contracts.

ii. *Acquisition of Macquarie Generation*

During FY14 AGL incurred $11 million of costs before tax associated with the acquisition.

2.3.3. Restructuring costs

Current Year

During the period restructuring costs of $25 million before tax were recognised in relation to various organisational reviews conducted during the year.

Prior Year

Nil.

2.3.4. Carbon repeal costs

Current Year

On 17 July 2014, the Federal Government passed legislation to repeal the carbon tax. AGL incurred costs in removing the calculation of the carbon tax from customer statements and also wrote-off previously capitalised costs associated with the original implementation of the carbon tax, totaling $12 million before tax.

Prior Year

Nil.

2.3.5. Tax items

Current Year

Nil.

Prior Year

On 9 May 2014, AGL lodged an objection with the Australian Tax Office (ATO) in relation to the tax cost setting amount applied to Southern Hydro assets at the time of formation of the AGL tax consolidated group in 2006. On 11 July 2014, the ATO confirmed the allowance of AGL's objection resulting in an increase in allowable depreciation deductions in the income years ended 2010 to 2013 inclusive. AGL recognised a $24 million credit to income tax expense in relation to this matter in the 2014 results. This credit arises as a result of a refund of income tax for the 2010 to 2013 years of income as well as a reduction in the deferred tax liability previously recognised relating to the Southern Hydro assets.

2.4. Earnings per Share

Earnings per share (EPS) has been calculated on the profit after tax attributable to shareholders (Statutory) and the Underlying Profit adjusted for significant items and changes in the fair value of financial instruments. Further discussion on the reconciliation between Statutory Profit and Underlying Profit is contained in Section 2.1.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory Profit	**218**	570
Underlying Profit	**630**	562
	cents	cents (Restated)
EPS on Statutory Profit	**33.3**	98.2
EPS on Underlying Profit	**96.4**	96.9

The above EPS calculations have been based upon a weighted average number of ordinary shares of 653,725,754 (FY14: 580,276,015).

Statutory and Underlying EPS for the prior corresponding period have been restated to reflect the bonus element of the rights issue completed in September 2014.

2.5. Dividend

The Directors have declared a final dividend of 34.0 cents per share for the year, compared with 33.0 cents per share for the prior corresponding period's final dividend. The final dividend will be paid on 24 September 2015. The record date to determine shareholders' entitlements to the final dividend is 27 August 2015. Shares will commence trading ex-dividend on 25 August 2015.

Before declaring the dividend the Directors satisfied themselves that:

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

The final dividend will be fully franked.

This will bring the annual dividend to 64.0 cents per share compared with 63.0 cents per share in the prior corresponding period.

The AGL Dividend Reinvestment Plan (DRP) will be in operation. No discount will apply to shares allocated under the DRP. Shares will be allocated to plan participants at the volume weighted average price at which AGL shares trade during each of the 10 trading days commencing on 31 August 2015. The last date for shareholders to elect to participate in the DRP for the FY15 final dividend is 5pm on 28 August 2015.

3. Review of Operations

The following review of operations focuses on Operating EBIT defined as EBIT before changes in fair value of financial instruments and significant items. AGL believes that Operating EBIT provides a better understanding of its financial performance by removing significant items and volatile changes in fair value of financial instrument accounting adjustments thereby facilitating a more relevant comparison of financial performance between financial periods.

The following table reconciles Statutory EBIT to Operating EBIT.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**567**	979
Significant items	**792**	61
Change in fair value of financial instruments	**(237)**	(40)
Finance income included in Operating EBIT	**4**	4
Operating EBIT	**1,126**	1,004

Operating EBIT for the year ended 30 June 2015 was $1,126 million compared with $1,004 million for FY14. The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory) Year ended 30 June		**EBIT (Operating) Year ended 30 June**	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Energy Markets	**1,938**	1,603	**2,063**	1,619
Group Operations	**(1,129)**	(464)	**(729)**	(473)
New Energy	**(2)**	17	**2**	21
Investments	**26**	23	**26**	23
Centrally Managed Expenses	**(266)**	(200)	**(236)**	(186)
EBIT	**567**	979	**1,126**	1,004
Add back:				
Depreciation and amortisation	**379**	326	**379**	326
EBITDA	**946**	1,305	**1,505**	1,330
Average funds employed	**11,859**	10,018	**11,859**	10,018
EBIT / Average funds employed	**4.8%**	9.8%	**9.5%**	10.0%

Operating EBIT / Average funds employed decreased 0.5 percentage points (ppts) due to an 18.4% increase in average funds employed. The factors affecting Operating EBIT are explained in detail in Sections 3.1 to 3.6.

The increase in average funds employed was primarily due to the acquisition of the Macquarie Generation assets and AGL's capital expenditure program.

On 2 September 2014, AGL completed the $1,505 million acquisition of the Macquarie Generation assets from the NSW Government. The Macquarie Generation assets include the Bayswater and Liddell power stations.

3.1. Energy Markets Operating EBIT:

Increased 27.4% to $2,063 million from $1,619 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**1,938**	1,603
Significant items	**359**	49
Changes in fair value of financial instruments	**(234)**	(33)
Operating EBIT	**2,063**	1,619
Add back:		
Depreciation and amortisation	**89**	108
Operating EBITDA	**2,152**	1,727
Average funds employed	**3,841**	3,554
Operating EBIT / Average funds employed	**53.7%**	45.6%

Energy Markets comprises three business units: Wholesale Markets, Consumer Market and Business Customers. It is responsible for managing the risks associated with satisfying the gas and electricity requirements of AGL's wholesale, consumer and business portfolios. It also sells natural gas, electricity and energy related products and services to Consumer Market and Business Customers, currently servicing over 3.7 million customer accounts.

Consumer Market sources its energy from Wholesale Markets. The transfer price for this energy is calculated based on methodologies traditionally adopted by regulators for determining wholesale energy costs in setting tariffs.

The business utilises its financial hedges and bilateral contracts to ensure adequacy of competitively priced supply.

The contribution from each business unit to Energy Market's Operating EBIT and EBITDA is set out in the following table:

	Operating EBIT		**Operating EBITDA**	
	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	**Year ended 30 June 2015 $m**	Year ended 30 June 2014 $m
Wholesale Markets	**1,675**	1,223	**1,686**	1,238
Consumer Market	**321**	332	**391**	417
Business Customers	**67**	64	**75**	72
Total Energy Markets	**2,063**	1,619	**2,152**	1,727

3.1.1. Wholesale Markets Operating EBIT:

Increased 37.0% to $1,675 million from $1,223 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Wholesale Electricity	**1,300**	1,038	25.2
Wholesale Gas	**380**	164	131.7
Eco-Markets	**31**	54	(42.6)
Gross margin	**1,711**	1,256	36.2
Net Operating costs excluding D&A	**(25)**	(18)	38.9
Operating EBITDA	**1,686**	1,238	36.2
Depreciation and amortisation	**(11)**	(15)	(26.7)
Operating EBIT	**1,675**	1,223	37.0

Wholesale Markets is responsible for managing the price risk associated with procuring electricity and gas and for managing AGL's green product obligations. It also controls the dispatch of owned and contracted generation assets, which are complemented by a portfolio of electricity hedge products.

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

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

- Reducing hedging costs through optimising load diversity between customer classes and regions;
- Harnessing the implicit optionality of the generation portfolio including arbitraging fuel types;
- Accelerating or decelerating hedging programs based on a view of market price; and
- Utilising a variety of instruments including weather derivatives to optimise risk and return.

3.1.1.1. Wholesale Electricity Gross Margin:

Increased 25.2% to $1,300 million from $1,038 million

Wholesale Electricity is responsible for managing the procurement and hedging of AGL's wholesale electricity requirements, for commercial management of the generation portfolio and for wholesale pricing to support AGL's Consumer Market and Business Customers bases.

The 25.2% increase in gross margin was largely due to the acquisition of the Macquarie Generation assets on 2 September 2014 which provided an additional 19 TWh of generation and margin of $407 million. The additional generation has resulted in AGL being able to meet the demand of its entire customer base.

This increase is partly offset by the repeal of the carbon tax on 1 July 2014, which is estimated to have reduced earnings by $169 million compared with FY14, due to the loss of Loy Yang A transitional assistance and a reduction in generation revenues partially offset by lower pool purchase rates and carbon tax related costs.

The result was also affected by lower consumer market volumes, which fell 4.4% reducing earnings by $12 million. This was driven by a combination of lower average demand, lower average customers and a change in customer mix across the portfolio, partially offset by favourable weather which returned to more historical averages.

3.1.1.2. Wholesale Gas Gross Margin:

Increased 131.7% to $380 million from $164 million

Wholesale Gas is responsible for sourcing and managing AGL's gas supply and transportation portfolio to maximise wholesale price effectiveness for the Consumer Market and Business Customers businesses. Wholesale Gas also supplies other retailers and internal and third party gas fired generators.

The 131.7% increase in gross margin was largely due to 36.1 PJ or $128 million of additional sales to Queensland wholesale customers and a further $79 million benefit from increased revenue reflecting higher wholesale market prices. Consumer Market volumes also increased 9.4% as weather normalised compared with the record warm weather conditions in the peak winter months of FY14, contributing an additional $12 million.

3.1.1.3. Eco-Markets Gross Margin:

Decreased 42.6% to $31 million from $54 million

Eco-Markets is responsible for managing the liabilities for both voluntary and mandatory green schemes. The largest of the schemes in which Eco-Markets participates are the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Target (LRET).

The decrease in gross margin compared with FY14 was driven by higher generation costs for large-scale renewable certificates (LREC) and associated reductions in customer margins contracted in prior years. In the second half of the year, large-scale generation certificates (LGC) prices increased, as a result of legislative changes, the impact of which will flow through in customer prices in future years.

3.1.2. Consumer Market Operating EBIT:

Decreased 3.3% to $321 million from $332 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Electricity gross margin	**426**	420	1.4
Gas gross margin	**311**	277	12.3
Gross margin	**737**	697	5.7
Net operating costs excluding D&A	**(346)**	(280)	23.5
Operating EBITDA	**391**	417	(6.2)
Depreciation and amortisation	**(70)**	(85)	(17.6)
Operating EBIT	**321**	332	(3.3)

3.1.2.1. Consumer Market Electricity Gross Margin:

Increased 1.4% to $426 million from $420 million

Electricity gross margin increased slightly due to rate improvement through disciplined price management in highly competitive markets, offset by a 4.4% reduction in volume. The reduction in volumes can be attributed to reductions in average demand, lower average customer numbers and changes in customer mix across the residential, small business and high consuming multi-site portfolios, offset by favourable weather impacts, which returned to more historical averages in FY15.

Total average demand per customer fell 4.3% for the year, but, normalising for weather changes, the reduction represents a 6.2% decline. The key drivers of the change are a 0.5% increase in residential average demand or a 1.9% weather normalised reduction, highlighting a continuing but flattening decline, offset by a 13.1% reduction in small business average demand (13.7% weather normalised reduction) driven by portfolio changes and losses of high consuming multi-site customers.

3.1.2.2. Consumer Market Gas Gross Margin:

Increased 12.3% to $311 million from $277 million

Gas gross margin increased predominately due to higher volumes as weather normalised compared with the record warm weather conditions in the peak winter months in FY14 and disciplined price management, partially offset by slightly lower average customer numbers.

3.1.2.3. Consumer Market Net Operating Costs:

Increased 14.0% to $416 million from $365 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Labour and contractor services	**(126)**	(112)	12.5
Bad and doubtful debts	**(81)**	(65)	24.6
Campaigns and advertising	**(99)**	(64)	54.7
Other expenditure	**(76)**	(78)	(2.6)
Fees and charges	**36**	39	(7.7)
Net operating costs excluding D&A	**(346)**	(280)	23.6
Depreciation and amortisation	**(70)**	(85)	(17.6)
Net operating costs	**(416)**	(365)	14.0

Total net operating costs included a $33 million year on year impact of APG (acquired October 2013) and Energy Connections NSW (acquired October 2014) acquisitions, and the resulting maintenance of a larger customer base. Underlying increase in net operating costs was $18 million or 4.9% driven by continued investment in digital and customer value capability and an increase in bad debt expenses.

Labour and contractor services costs increased by $14 million, or 12.5%, due to the acquisition of Energy Connections NSW, continued growth and investment in digital capability, labour and offshore contract inflationary increases and employee incentives.

The increase in bad and doubtful debts of $16 million, or 24.6%, is due to the full year impact of the APG portfolio, which continues to perform to the business model, higher provisioning for aged debt and lower bad debt recoveries and debt sales. Following a plateauing of key debt metrics the Credit Improvement Program was launched during the year, which will positively impact the credit performance in future years.

Campaigns and advertising expenditure increased $35 million, or 54.7%, with $25 million of NSW electricity acquisitions no longer being capitalised, which is offset by lower amortisation (as detailed below), and an increase of more than 10% in the number of acquisitions and retentions required to maintain a larger customer base following the acquisition of APG. Investment in reward and loyalty programs and an increase in the direct variable cost to acquire and retain through external channels were partially offset by an improved channel mix with the overall cost to acquire and retain per customer remaining relatively flat in a competitive external environment where margins per customer have increased.

In line with the AGL Strategic Roadmap, a targeted program to drive an improvement in operational efficiency is underway, which will reduce the operating cost base and improve key metrics.

Depreciation and amortisation decreased by $15 million, or 17.6% compared with the prior corresponding period predominately due to the NSW acquisition cost amortisation reduction of $25 million. This was offset by increases in other depreciation and amortisation of $10 million driven by digital capability investment and core system enhancement, together with full year run rate of APG customer contracts and system integration.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
NSW direct customer acquisition cost amortisation	**(15)**	(40)	(62.5)
Other	**(55)**	(45)	22.2
Total depreciation and amortisation	**(70)**	(85)	(17.6)

NSW acquisition cost amortisation

The project to substantially grow AGL's customer base in NSW concluded at the end of June 2014. Total capitalised costs during the project were $125 million with an unamortised balance of $14 million remaining at 30 June 2015. The remaining amortisation will be recognised by 30 June 2016. All acquisition costs from 1 July 2014 are now directly expensed through the profit and loss.

3.1.2.4. Consumer Customer Profitability

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

	Year ended 30 June 2015	Year ended 30 June 2014	Movement %
Consumer gross margin	**$737m**	$697m	5.7
Consumer EBIT	**$321m**	$332m	(3.3)
Average customer accounts	**3,726,904**	3,733,047	(0.2)
Consumer gross margin per customer account	**$198**	$187	5.9
Consumer EBIT per customer account	**$86**	$89	(3.4)

3.1.2.5. Consumer Operating Efficiency

AGL focuses on Consumer Market net operating costs as a percentage of gross margin along with net operating costs per customer as the primary measures of operating efficiency. As a secondary measure, cost to serve is also analysed.

3.1.2.5.1. Net Operating Costs as a percentage of Gross Margin and per Customer Account

	Year ended 30 June 2015	Year ended 30 June 2014	Movement %
Consumer net operating costs	**($416m)**	($365m)	14.0
Consumer gross margin	**$737m**	$697m	5.7
Average customer accounts	**3,726,904**	3,733,047	(0.2)
Consumer net operating costs as percentage of gross margin	**56.5%**	52.4%	4.1ppts
Consumer net operating costs per customer account	**$112**	$98	14.3

Net operating costs increased by 14.0% as detailed in section 3.1.2.3.
Net operating costs as a percentage of gross margin increased by 4.1 percentage points (ppts). This is due to higher net operating costs as discussed in section 3.1.2.3 partially offset by incremental gross margin improvement from volume growth and price management.

3.1.2.5.2. Cost to Serve Analysis

	Operating costs			**Cost per account**		
	Year ended 30 June			**Year ended 30 June**		
	2015 $m	2014 $m	Movement %	**2015 $**	2014 $	Movement %
Cost to Serve	**(270)**	(234)	15.4	**(72)**	(63)	14.3
Cost to Acquire	**(117)**	(108)	8.3	**(156)**	(148)	5.4
Cost to Retain	**(29)**	(23)	26.1	**(31)**	(29)	6.9
Cost to Acquire/Retain	**(146)**	(131)	11.5	**(87)**	(86)	1.2
Net Operating costs	**(416)**	(365)	14.0	**(112)**	(98)	14.3

Cost to Serve per account increased by $9 or 14.3% due to increased operating costs as described in section 3.1.2.3, predominately labour, bad and doubtful debts and depreciation combined with a slight reduction in average customer numbers.

The overall cost to acquire and retain has increased $15 million predominately due to the increase in the number of acquisitions and retentions which have increased more than 10% year on year driven by market activity and a larger customer base. The cost to acquire and retain per customer increased by $1 or 1.2% driven by an increase in direct variable costs through external channels, the acquisition of Energy Connections NSW and continued investment in reward and loyalty programs with higher member numbers and higher revenues per customer. This is partially offset by an improved channel mix with growth in internal sales and a greater number of lower cost retentions. The cessation of capitalisation of NSW electricity acquisitions is offset by the reduction in amortisation relating to the NSW customer acquisitions and therefore does not impact the cost to acquire and retain metric.

Cost to acquire increased by $9 million or $8 per customer account due to an increase in the total number of acquisitions together with an increase in the direct variable cost to acquire through external channels and the acquisition of Energy Connections NSW partially offset by an improved sales mix with a greater number of internal sales at a lower cost.

Cost to retain increased by $6 million or $2 per customer account due to an increase of more than 15% in number of retentions to subdue churn on a larger customer base, particularly for identified high value customers. The per customer increase is driven by the continued investment in reward and loyalty programs with members growing to almost one million customers and increases in the direct variable cost to retain through external channels partially offset by an improved retention mix with a greater number of internal retentions at a lower cost.

Net operating costs per customer account was $112, a $14 or 14.3% increase on the prior corresponding period. The increase in net operating costs relates largely to the increase in operating costs as described in section 3.1.2.3 combined with a slight reduction in average customer numbers

3.1.3. Business Customers Operating EBIT:

Increased 4.7% to $67 million from $64 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Electricity gross margin	**42**	39	7.7
Gas gross margin	**60**	62	(3.2)
Gross margin	**102**	101	1.0
Net operating costs excluding D&A	**(27)**	(29)	(6.9)
Operating EBITDA	**75**	72	4.2
Depreciation and amortisation	**(8)**	(8)	-
Operating EBIT	**67**	64	4.7

Business Customers manages AGL's Commercial and Industrial (C&I) gas and electricity customers through an integrated sales and service model.

Electricity gross margin has improved despite lower volumes due to customer portfolio changes, which has resulted in higher customer margins due to a strong performance in a market which remains highly competitive.

Gas gross margin has declined with lower volumes due to the closure of two major customers operations and other customer portfolio changes. The change in portfolio and targeted market activity has contributed to an improvement in average customer profitability.

3.1.4. Customer Numbers

The following table provides a breakdown of customer numbers by state.

	30 June 2015 ('000)	30 June 2014 ('000)	Movement ('000)	Movement %
Consumer Electricity				
New South Wales	**806**	815	(9)	(1.1)
Victoria	**646**	665	(19)	(2.9)
South Australia	**422**	431	(9)	(2.1)
Queensland	**387**	386	1	0.3
	2,261	2,297	(36)	(1.6)
Consumer Gas				
New South Wales	**700**	707	(7)	(1.0)
Victoria	**544**	567	(23)	(4.1)
South Australia	**132**	130	2	1.5
Queensland	**79**	79	-	-
	1,455	1,483	(28)	(1.9)
Total Consumer Accounts	**3,716**	3,780	(64)	(1.7)
Total Business Customer Accounts	**19**	20	(1)	(5.0)
Total Customer Accounts	**3,735**	3,800	(65)	(1.7)

AGL churn decreased by 0.5 ppts to 14.9% (15.4% at 30 June 2014) despite strong competition in the market place. The APG customer base, now integrated in the AGL customer base, churned at a higher rate but remained in line with the acquisition business case. The Rest of Market churn decreased 0.2 ppts to 20.3% (20.5% at 30 June 2014), increasing the favourable gap between AGL and the rest of the market to 5.4%. This favourable gap is supported by strong product offers and customer satisfaction levels.

3.2. Group Operations Operating EBIT:

Decreased 54.1% to ($729 million) from ($473 million)

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**(1,129)**	(464)
Significant items	**401**	-
Changes in fair value of financial instruments	**(1)**	(9)
Operating EBIT	**(729)**	(473)
Add back:		
Depreciation and amortisation	**254**	187
Operating EBITDA	**(475)**	(286)

AGL's Group Operations is a diverse power generation portfolio and is spread across traditional thermal generation as well as renewable sources including hydro, wind, solar and natural gas (formerly Upstream Gas).

The decrease in Group Operations Operating EBIT is largely attributed to the addition of AGL Macquarie from 2 September 2014, lower sales revenue from Natural Gas, higher depreciation and general CPI increase.

The significant item expense at 30 June 2015 of $401 million relating primarily to the review of the Upstream Gas business and restructuring costs, as detailed under section 2.3.

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

	Operating EBIT		**Operating EBITDA**	
	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	**Year ended 30 June 2015 $m**	Year ended 30 June 2014 $m
Thermal	**(574)**	(340)	**(372)**	(218)
Renewables	**(77)**	(78)	**(40)**	(37)
Natural Gas	**(23)**	(13)	**(12)**	4
Other	**(55)**	(42)	**(51)**	(35)
Total Group Operations	**(729)**	(473)	**(475)**	(286)

3.2.1. Thermal Operating EBIT:

Decreased 68.8% to ($574 million) from ($340 million)

AGL's thermal energy assets generate electricity from heat derived from gas or coal. Loy Yang and AGL Macquarie generate electricity from coal. AGL Torrens relies on gas and is the largest natural gas power station in Australia.

AGL Macquarie produces approximately 12% of the electricity needed by consumers in eastern Australia. AGL Macquarie's assets include the 2,640 MW Bayswater power station, the 2,000 MW Liddell power station, the 50 MW Hunter Valley gas turbines and the Liddell solar thermal project. AGL Macquarie is the former NSW Government power producer, Macquarie Generation, which AGL acquired the assets of in September 2014.

Loy Yang supplies approximately 30% of Victoria's power requirements. Acquired in June 2012, Loy Yang comprises the 2,210 MW Loy Yang A power station and adjacent Loy Yang coal mine. Loy Yang uses brown coal, supplied exclusively by the open cut mine, as the fuel source to generate electricity. The mine has an annual output of approximately 30 million tonnes of coal.

AGL Torrens, located 18 km from Adelaide CBD, is the largest power station in South Australia and the largest natural gas fired power station in Australia. With a name plate capacity total of 1,280 MW, the station burns natural gas in boilers to generate steam, which then drives the turbines to generate electricity.

The decrease in Thermal Operating EBIT is largely attributed to higher costs incurred as a consequence of the addition of AGL Macquarie from 2 September 2014, CPI and wage escalation, the absence of AGL Torrens insurance proceeds from prior years and higher depreciation driven by a higher asset base. This is partly offset by cost initiatives implemented throughout the year.

3.2.2. Renewables Operating EBIT:

Increased 1.3% to ($77 million) from ($78 million)

AGL is the largest ASX listed owner, operator and developer of renewable energy generation in the country. AGL has already invested over $3 billion in renewable investments and we are currently building Australia's largest utility-scale solar projects.

AGL operates hydroelectric power stations in Victoria and NSW, with the three primary schemes located in the Kiewa, Dartmouth and Eildon catchments with total installed capacity of 780 MW.

AGL operates seven Wind Farms spread across South Australia and Victoria with installed capacity of 925 MW of wind generation. The 420 MW Macarthur Wind Farm, made up of 140 3 MW turbines, is currently the largest of its kind in the southern hemisphere.

AGL is delivering two large-scale solar photovoltaic (PV) power plants with a total capacity of 155 MW (AC) at Nyngan (102 MW) and Broken Hill (53 MW) in regional NSW. Total capital expenditure for the two projects is approximately $440 million, with $167 million being provided by the Federal Government's Australian Renewable Energy Agency (ARENA) and $65 million from the NSW Government.

The Macarthur Wind farm was held for sale from 1 April 2015. As a result of this accounting classification, depreciation was suspended, which resulted in 3 months of lower depreciation ($5m) in FY15.

3.2.3. Natural Gas Operating EBIT:

Decreased 76.9% to ($23 million) from ($13 million)

On 6 July 2015 AGL announced that following a comprehensive review of the Upstream Gas business it would focus on core gas projects and divest non-core and under-performing assets and activities. The core projects to be retained include the Camden Gas Project, Gloucester Gas Project, Silver Springs underground storage facility, Wallumbilla LPG plant and the recently opened Newcastle Gas Storage Facility.

Assets to be divested include the Hunter Gas Project licence interests (PELs 4 and 267) and associated agriculture activities. Other assets to be divested include AGL's interests in PEL 2 (adjacent to the Camden Gas Project), the Cooper Oil assets (ATP 1056P), CSM Energy and the Spring Gully assets. PELs 2, 4 and 267 will be sold as part of the NSW Government's PEL buy-back scheme. The Moranbah assets have been de-designated as "held for sale" but a sale process for the assets is ongoing.

Natural Gas Operating EBIT is lower as a result of reduced oil sales revenue in Silver Springs, reduced gas sales revenue in the North Queensland Energy (NQE) joint venture and increased operating costs, largely due to well workovers and field related expenditure in Moranbah, partially offset by lower Moranbah depreciation expense.

3.2.4. Gas Sales and Reserves Position

The following table summarises the gas sales volume and associated revenue during the period:

AGL share of operations	**Year ended 30 June 2015**	Year ended 30 June 2014	Movement %
Gas sales volume (PJ)	**11.1**	12.4	(10.5)
Sales revenue ($m)	**43**	44	(2.3)
Average gas price ($/GJ)	**3.87**	3.55	9.0

AGL's share of proved plus probable (2P) and proved plus probable plus possible (3P) natural gas reserves by project, including coal seam gas and conventional gas is summarised below:

AGL share of gas reserves (PJ)	**Year ended 30 June 2015**		Year ended 30 June 2014	
	2P	**3P**	2P	3P
Gloucester (100%)	**462**	**632**	527	649
Moranbah (50%)	**279**	**475**	285	481
Camden (100%)	**41**	**41**	45	45
Silver Springs (various)	**57**	**148**	57	149
Spring Gully (various)	**10**	**11**	9	11
Sub-Total	**849**	**1,307**	923	1,335
ATP 1103 back-in rights (50%) (1)	**968**	**2,191**	968	2,191
Total	**1,817**	**3,498**	1,891	3,526

(1) Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 (previously designated ATP 364P) as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs.

AGL engages independent experts SRK Consulting Australia (SRK) to evaluate reserves and resources for its operated gas projects.

An independent reserves assessment of the Gloucester Gas Project was undertaken, and reserves were reassessed by SRK as at 30 June 2015. Gloucester 2P reserves decreased by 65 PJ (12.3%), due to revision of accessible seams in the shallow section, lateral extent of various reservoirs and changes in costs and prices.

Gas reserves within the Camden Gas Project were last reassessed by SRK as at 30 June 2013. There has been no reassessment since then. The change in Camden reserves was wholly due to gas sales over the past year.

Gas reserves within the Silver Springs Project were last reassessed by SRK as at 30 June 2012. There has been no reassessment since then.

Gas reserves within the Moranbah Gas Project (MGP) were last reassessed by independent reserves and resources evaluation company Netherland Sewell & Associates, Inc (NSAI) as at 31 December 2012; and gas reserves within ATP 1103 were last reassessed by NSAI as at 31 August 2013. There has been no reassessment since then. The change in MGP reserves was wholly due to gas sales over the past year.

Refer to AGL's Annual Reserves Assessment as at 30 June 2015, released to the ASX on 12 August 2015, for more details relating to AGL's gas reserves and resources.

3.2.5. Other Operations EBIT:

Decreased 31.0% to ($55 million) from ($42 million)

Other Operations includes Property & Facilities, Procurement, technical functions, and Safety and Environment.

The decrease in EBIT is mainly attributed to the addition of AGL Macquarie's operational support costs, productivity consultants and building central capabilities in engineering and project management.

Group Operations Segments

Thermal	**Renewables**	**Natural Gas**	**Other**
• AGL Macquarie • Loy Yang • AGL Torrens	• Wind farms • Hydro • Solar plants	• Camden • Moranbah • Silver Springs • Newcastle gas storage facility • Gloucester	• Property & facilities • Technical functions • Safety & environment

The above list includes only major elements and is not all inclusive.

3.3. Portfolio Market Reporting

3.3.1. Electricity portfolio

The gross margin for AGL's electricity portfolio is set out in the following table. This analysis combines the Wholesale Markets, Consumer Market, Business Customers and Generation businesses (described in section 3.1 and 3.2) to reflect the procurement and hedging of AGL's electricity requirements, the costs of managing and maintaining AGL's owned and contracted generation assets and the margin from external customers.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Consumer Market	**426**	420	1.4
Business Customers	**42**	39	7.7
Wholesale Electricity	**1,300**	1,038	25.2
Eco Markets	**27**	52	(48.1)
Group Operations (Thermal & Renewables)	**(651)**	(418)	55.7
Portfolio margin	**1,144**	1,131	1.1
Revenue			
Consumer Market	**4,023**	4,344	(7.4)
Business Customers, Wholesale Electricity & Eco Markets	**2,208**	2,314	(4.6)
Group Operations (Thermal & Renewables)	**90**	85	5.9
Total revenue	**6,321**	6,743	(6.3)
Consumer Market network costs	**(2,091)**	(2,040)	2.5
Consumer Market other cost of sales	**(439)**	(427)	2.8
Business Customers network costs	**(937)**	(912)	2.7
Business Customers other cost of sales	**(201)**	(233)	(13.7)
Fuel	**(560)**	(230)	143.5
Generation costs	**(536)**	(372)	44.1
Carbon	**-**	(237)	(100.0)
Depreciation & Amortisation (Group Operations)	**(238)**	(162)	46.9
Costs of generation	**(1,334)**	(1,001)	33.3
Pool generation revenue	**1,301**	1,104	17.8
Pool purchase costs	**(1,549)**	(1,902)	(18.6)
Net derivative (cost)/revenue	**73**	(201)	(136.3)
Wholesale markets cost of sales	**(1,509)**	(2,000)	(24.6)
Total cost of sales	**(5,177)**	(5,612)	(7.8)
Portfolio margin	**1,144**	1,131	1.1

The net 1.1% increase in the Electricity portfolio margin is discussed in sections 3.1.1.1 (Wholesale Markets Electricity), 3.1.2.1 (Consumer Market Electricity) and 3.1.3 (Business Customers Electricity).

The following table provides a volume and rate analysis of the electricity portfolio gross margin.

	Year ended 30 June 2015	Year ended 30 June 2014	Movement %
Generation volumes (GWh)	**38,249**	19,577	95.4
Consumer Market	**14,180**	14,839	(4.4)
Business Customers & Wholesale Markets	**22,017**	15,306	43.8
Sold volumes (GWh)	**36,197**	30,145	20.1
Consumer Market[1]	**283.7**	292.7	(3.1)
Business Customers & Wholesale Markets[1]	**100.3**	151.2	(33.7)
Revenue ($/MWh) [1]	**174.6**	223.7	(21.9)
Consumer Market network costs ($/MWh)[1]	**(147.4)**	(137.4)	7.3
Consumer Market other cost of sales ($/MWh)[1]	**(31.0)**	(28.8)	7.6
Business Customers network costs ($/MWh)[1]	**(73.3)**	(70.4)	4.1
Business Customers other cost of sales ($/MWh)[1]	**(15.7)**	(18.0)	(12.8)
Fuel[2]	**(14.6)**	(11.7)	24.8
Generation costs[2]	**(14.0)**	(19.0)	(26.3)
Carbon[2]	**-**	(12.1)	(100.0)
Depreciation & Amortisation (Group Operations)[2]	**(6.2)**	(8.3)	(25.3)
Cost of generation ($/MWh) [2]	**(34.8)**	(51.1)	(31.9)
Pool generation revenue[2]	**34.0**	56.4	(39.7)
Pool purchase costs[3]	**(40.7)**	(59.5)	(31.6)
Net derivative (cost)/revenue[3]	**1.9**	(6.3)	(130.2)
Average Wholesale cost of sales ($/MWh)[3]	**(39.6)**	(62.5)	(36.6)
Total cost of sales ($/MWh)[1]	**(143.0)**	(186.1)	(23.2)
Gross margin ($/MWh)[1]	**31.6**	37.5	(15.7)

Note: $/MWh calculated on the basis of: 1) Sold volumes; 2) Generation volumes; or 3) Demand volumes.

The change in the gross margin $ per MWh rate was predominantly due to the carbon tax repeal reducing the average revenue, carbon expense, pool sales and pool purchase rates. This reduced Energy Markets gross margin by $169 million which equates to approximately $5.60 per MWh of the total $5.90 per MWh reduction.

The following table provides a breakdown of the supply and demand of volume across the electricity portfolio.

Purchased volumes (GWh)	**Year ended 30 June 2015 GWh**	Year ended 30 June 2014 GWh	Movement %
Consumer Market	**15,220**	15,900	(4.3)
Business Customers & Wholesale Markets	**22,819**	16,073	42.0
Total demand	**38,039**	31,973	19.0
AGL generated	**38,249**	19,577	95.4
Pool sales	**(38,249)**	(19,577)	95.4
Pool purchases	**38,039**	31,973	19.0
Total supply	**38,039**	31,973	19.0
Energy losses	**(1,842)**	(1,828)	0.8
Total sold	**36,197**	30,145	20.1

Consumer Market electricity average consumption declined 4.3% due to continued demand decline, lower average customer numbers and changes in customer mix across the residential, small business and high consuming multi-site portfolio's offset by favourable weather impacts which returned to more historical averages.

Business Customers and Wholesale Markets volumes increased 42.0% due to the inclusion of large wholesale contracts from the Macquarie Generation acquisition. This increase was partly offset by lower Business Customer electricity volumes, primarily as a result of the loss of several major customers.

AGL generated volumes have increased substantially due to 19,019 GWh generated by AGL Macquarie. This is partially offset by lower wind generation (287 GWh).

3.3.2. Gas portfolio

The gross margin for AGLs gas portfolio is set out in the following table. This analysis combines the Wholesale Markets, Consumer Markets and Business Customers businesses (described in section 3.1) to reflect the procurement and hedging of AGL's gas requirements and the margin from external customers.

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Consumer Market	**311**	277	12.3
Business Customers	**60**	62	(3.2)
Wholesale Markets	**380**	164	131.7
Eco Markets	**4**	3	33.3
Portfolio margin	**755**	506	49.2
<u>Revenue</u>			
Consumer Market	**1,495**	1,362	9.8
Business Customers & Wholesale Gas and Eco Markets	**1,359**	966	40.7
Total revenue	**2,854**	2,328	22.6
Consumer Market network costs	**(646)**	(577)	12.0
Consumer Market other cost of sales	**(28)**	(91)	(69.2)
Business Customers network costs	**(75)**	(76)	(1.3)
Business Customers other cost of sales	**(14)**	(57)	(75.4)
Gas purchases	**(1,041)**	(871)	19.5
Haulage & storage	**(295)**	(150)	96.7
Average Wholesale cost of sales	**(1,336)**	(1,021)	30.9
Total cost of sales	**(2,099)**	(1,822)	15.2
Portfolio margin	**755**	506	49.2

The net 49.2% increase in the Gas portfolio margin is discussed in sections 3.1.1.2, (Wholesale Markets Gas) 3.1.2.2 (Consumer Market Gas) and 3.1.3 (Business Customers Gas).

The following table provides a volume and rate analysis of the gas portfolio gross margin.

	Year ended 30 June 2015	Year ended 30 June 2014	Movement %
Consumer Market	**63.0**	57.6	9.4
Business Customers & Wholesale Markets	**171.1**	146.6	16.7
Sold volumes (TJ)	**234.1**	204.2	14.6
Consumer Market	**23.7**	23.7	-
Business Customers & Wholesale Markets	**7.9**	6.6	19.7
Revenue ($/GJ)	**12.2**	11.4	7.0
Consumer Market network costs ($/GJ)	**(10.3)**	(10.0)	3.0
Consumer Market other cost of sales ($/GJ)	**(0.4)**	(1.6)	(75.0)
Business Customers network costs ($/GJ)	**(0.9)**	(0.9)	-
Business Customers other cost of sales ($/GJ)	**(0.2)**	(0.7)	(71.4)
Gas purchases	**(4.4)**	(4.3)	2.3
Haulage & storage	**(1.3)**	(0.7)	85.7
Average Wholesale cost of sales ($/GJ)	**(5.7)**	(5.0)	14.0
Total cost of sales ($/GJ)	**(9.0)**	(8.9)	0.5
Portfolio margin ($/GJ)	**3.2**	2.5	28.0

Changes in $ per GJ rates was due to higher Queensland wholesale customer margin resulting in increased revenue rates partially offset by increased haulage costs enabling gas supply from southern states to NSW demand centres. The Consumer Market revenue rate was impacted by price increases, the removal of carbon, changes in customer mix and higher volumes, resulting in the overall $ per GJ being flat with the prior corresponding period.

The following table provides a breakdown of the supply and demand of volume across the gas portfolio.

Gas volumes	**Year ended 30 June 2015 PJ**	Year ended 30 June 2014 PJ	Movement %
Consumer Market	**63.0**	57.6	9.4
Business Customers & Wholesale Markets	**171.1**	146.6	16.7
Total demand	**234.1**	204.2	14.6
Gas purchases	**(237.1)**	(206.3)	14.9
Less Energy losses	**3.0**	2.1	42.9
Total supply	**(234.1)**	(204.2)	14.6

Consumer gas volumes increased 5.4PJ or 9.4% year on year driven by favourable weather across peak consumption periods.

Business Customers and Wholesale volumes increased 16.7% due to higher Wholesale Queensland sales 36.1 PJ, partially offset by the closure of two major Business Customers operations and other customer portfolio changes.

3.4. New Energy Operating EBIT:

Decreased 90.5% to $2 million from $21 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**(2)**	17
Significant items	**-**	-
Finance income included in Operating EBIT	**4**	4
Operating EBIT	**2**	21
Add back:		
Depreciation and amortisation	**11**	9
Operating EBITDA	**13**	30

New Energy was formed in 2014 to drive AGL's capabilities in taking new and distributed technologies to market in Australia, to enable AGL to establish a market leading position. The business unit comprises Residential Energy Services, which includes AGL Solar and Franchisee management (formerly part of Retail Energy), Business Energy Services, including Thermal, Solutions, Electrical and Technical (formerly part of Merchant Energy) and Distributed Energy Services, including AGL's portfolio of low emission and renewable generation assets (formerly part of Merchant Energy) and the newly established Digital Metering business ActiveStream.

3.4.1. Gross Margin:

Decreased 6.5% to $58 million from $62 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Revenue	**119**	135	(11.9)
Cost of Goods Sold	**(61)**	(73)	(16.4)
Gross Margin	**58**	62	(6.5)

Gross Margin decreased $4 million predominantly due to the closure of the Kurnell refinery, and associated lost revenue. This was partially offset by an increase in solar sales revenue.

3.4.2. Operating Costs:

Increased 36.6% to ($56) million from ($41) million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m	Movement %
Labour and contractor services	**(28)**	(21)	33.3
Campaigns and advertising	**(5)**	(3)	66.7
Other	**(12)**	(8)	50.0
Operating costs excluding D&A	**(45)**	(32)	40.6
Depreciation and amortisation	**(11)**	(9)	22.2
Operating costs	**(56)**	(41)	36.6

Operating costs increased $15 million, predominantly relating to the creation of the New Energy division and increased investment to unlock growth in this area, including new resources (capabilities in new technology areas), increased solar marketing and costs relating to Digital Metering business establishment. This investment is forecast to increase into FY16 and beyond as new revenue streams in this area are explored and developed.

3.5. Investments Operating EBIT:

Increased 13.0% to $26 million from $23 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**26**	23
Operating EBIT	**26**	23
Add back:		
Depreciation and amortisation	**-**	-
Operating EBITDA	**26**	23

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

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
ActewAGL	**31**	25
Diamantina Power Station	**(5)**	(2)
Operating EBIT	**26**	23

3.5.1. ActewAGL (50% AGL Ownership) Operating EBIT:

Increased 24.0% to $31 million from $25 million

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

ActewAGL Retail partnership contributed an equity share of profits of $31 million for the year compared with $25 million for the prior corresponding period. The increase is due to a reduction in energy costs and the acquisition of a significant Government contract in the ACT region.

3.5.2. Diamantina Power Station Joint Venture

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 was commissioned in November 2014.

3.6. Centrally Managed Expenses

Increased 26.9% to ($236 million) from ($186 million)

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory EBIT	**(266)**	(200)
Significant items	**32**	12
Change in fair value of financial assets	**(2)**	2
Operating EBIT	**(236)**	(186)
Add back:		
Depreciation and amortisation	**25**	22
Operating EBITDA	**(211)**	(164)

Significant items predominately relate to the costs associated with restructuring and AGL's acquisition of the Macquarie Generation assets as described in section 2.3.

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

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Labour	**(86)**	(75)
Hardware and software costs	**(57)**	(54)
Consultants and contractor fees	**(12)**	(13)
Insurance premiums	**(26)**	(9)
Depreciation and amortisation	**(25)**	(22)
Other	**(30)**	(13)
Total	**(236)**	(186)

The increase in centrally managed expenses (CME) was largely due to an additional $27 million in FY15 in expenses from the acquisition of the Macquarie Generation assets and a transfer of the insurance costs of $9 million for Loy Yang from Group Operations to CME, consistent with the reporting of other insurance costs. Other expenses and depreciation and amortisation have increased by $8 million due to a full year's depreciation on completed IT related projects, the acceleration of depreciation due to reanalysing the commercial useful life and write off of minor IT assets.

Excluding these items comparable CME increased by 3% or $6 million in line with wage inflation.

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

However, although not formally reallocated for the purposes of reporting Operating EBIT, a substantial proportion of the expenses can be attributed to the business units. The following tables provide further analysis of the centrally managed expenses incurred on behalf of business units during the years ended 30 June 2015 and 30 June 2014.

30 June 2015	Centrally Managed Expenses $m	Reallocate Energy Markets $m	Reallocate Group Operations $m	Reallocate New Energy $m	Unallocated $m
Labour	(86)	-	-	-	(86)
Hardware and software costs	(57)	34	18	1	(4)
Consultants and contractor fees	(12)	2	2	-	(8)
Insurance premiums	(26)	1	25	-	-
Depreciation and amortisation	(25)	15	8	1	(1)
Other	(30)	14	12	1	(3)
Total	**(236)**	**66**	**65**	**3**	**(102)**

30 June 2014	Centrally Managed Expenses $m	Reallocate Energy Markets $m	Reallocate Group Operations $m	Reallocate New Energy $m	Unallocated $m
Labour	(75)	-	-	-	(75)
Hardware and software costs	(54)	36	12	1	(5)
Consultants and contractor fees	(13)	3	1	-	(9)
Insurance premiums	(9)	-	8	-	(1)
Depreciation and amortisation	(22)	15	5	-	(2)
Other	(13)	7	4	1	(1)
Total	(186)	61	30	2	(93)

3.7. Net Finance Costs

Increased 4.9% to $234 million from $223 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory finance costs	**(250)**	(243)
Statutory finance income	**20**	24
Remove finance income included in EBITDA	**(4)**	(4)
Net finance costs	**(234)**	(223)

The 4.9% increase in net finance costs was due to an overall increase in average net debt to $3,398 million compared with $3,037 million in FY14. Net debt increased over the period driven by partial funding of the Macquarie Generation acquisition and the capital expenditure program. Statutory finance income reduced by $4 million due to lower cash balances held during the year and decreased interest rates.

3.8. Income Tax Expense

Underlying income tax increased 19.6% to $262 million from $219 million

	Year ended 30 June 2015 $m	Year ended 30 June 2014 $m
Statutory income tax expense	**(119)**	(190)
Income tax benefit from significant items	**(214)**	(41)
Income tax (benefit) / expense from fair value movements	**71**	12
Underlying tax expense	**(262)**	(219)

The increase in the underlying tax expense was due to a 14.2% improvement in underlying earnings. The effective tax rate of 29.4% was higher than 28.0% for FY14 primarily due to a reduction in adjustments relating to prior years.

4. Operating Cash Flow

4.1. Reconciliation of Operating EBITDA to Statutory Cash Flow

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

		Year ended 30 June 2015 $m		Year ended 30 June 2014 $m
Operating EBITDA		**1,505**		1,330
Equity accounted income (net of dividend received)		**4**		1
Accounting for onerous contracts		**(14)**		(117)
Working capital movements				
(Increase) / decrease in receivables	**77**		109	
Increase / (decrease) in creditors	**74**		(189)	
(Increase) / decrease in inventories	**(62)**		(54)	
Increase / (decrease) in carbon liability	**(139)**		(12)	
Net derivative premiums paid / roll-offs	**15**		-	
Net movement in GST recoverable / payable	**5**		(9)	
Net movement in green assets/liabilities	**53**		43	
(Increase) / decrease in futures margin calls	**(5)**		-	
Other	**14**		47	
Total working capital movements		**32**		(65)
Operating cash flow before interest, tax & significant items		**1,527**		1,149
Net finance costs paid		**(194)**		(198)
Income tax paid		**(147)**		(191)
Underlying operating cash flow		**1,186**		760
Cash flow relating to significant items		**(142)**		(61)
Statutory net cash provided by operating activities		**1,044**		699

Operating cash flow before interest, tax & significant items was up $378 million compared with the prior corresponding period.

The effect of the repeal of carbon tax on working capital is not significant. The decrease in receivables of approximately $134 million (FY14 $24 million decrease), has broadly offset the estimated decrease in trade creditors of $17 million (FY14 $3 million increase) and decrease in carbon liability of $139 million (FY14 $12 million decrease).

AGL Macquarie contributed $287 million in underlying operating cash flow before interest and tax in FY15.

4.2. Underlying Operating Cash Flow before Interest and Tax

Increased 32.9% to $1,527 million from $1,149 million

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

	Year ended 30 June 2015	Year ended 30 June 2014
	$m	$m
Statutory net cash provided by operating activities	**1,044**	699
Cash flow relating to significant items	**142**	61
Underlying Operating Cash Flow	**1,186**	760
Net finance costs paid	**194**	198
Income tax paid	**147**	191
Underlying Operating Cash Flow before interest and tax	**1,527**	1,149

AGL incurred cash expenses in the year relating to transaction and integration costs associated with the acquisition of the Macquarie Generation assets, restructuring and carbon tax repeal costs. These payments are discussed further in Section 2.3.

5. Changes in Fair Value of Derivative Financial Instruments

AGL uses derivative financial instruments ("derivatives"), in large part, to manage energy price risks but also to manage its exposure to interest rates and foreign exchange rates arising in the normal course of business. AGL's intention when transacting derivatives is to prudently manage the energy price risk, interest rate risk and foreign exchange rate risk it faces. AGL considers this activity to be hedging in nature.

Australian Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' ("AASB 139") requires derivatives to be reported at fair value in the financial statements. Changes in the fair value of derivatives between reporting periods for "effective hedges" are recognised in equity as an adjustment to the hedge reserve. Changes in the fair value of derivatives between reporting periods for "ineffective hedges" are recognised in the statement of profit or loss.

AASB 139 considers derivatives to be effective hedges where the change in the fair value of the item being hedged and the change in the fair value of the derivative substantially offset each other. All other hedges are deemed to be ineffective hedges.

In AGL's view, AASB 139's definition of an effective hedge results in an appropriate outcome for the interest rate and foreign exchange rate hedging activity currently undertaken by AGL. It does not however adequately address the more complex exposures from managing energy price risk. This means that a material number of AGL's energy derivatives are not considered effective hedges under AASB 139.

The change in fair value of derivatives reported in profit and loss for the year ended 30 June 2015 was a gain of $237 million before tax and $166 million after tax. For the year ended 30 June 2014 change in fair value of derivatives was a gain before tax of $40 million and $28 million after tax.

A reconciliation of the statement of financial position movement in derivative balances to the amount included in the statement of profit or loss for the year ended 30 June 2015 is presented in the following table:

	Net Assets (Liabilities)		
	30 June 2015	30 June 2014	Change
	$m	$m	$m
Energy derivative contracts	**403**	18	385
Cross currency and interest rate swap derivative contracts	**2**	(79)	81
Total net assets (liabilities) for derivative contracts	**405**	(61)	466
Change in derivative net asset	**466**		
Premiums paid	**(106)**		
Premium roll off	**121**		
Derivatives acquired	**(114)**		
Total change in fair value	**367**		
Recognised in equity hedge reserve	**72**		
Recognised in borrowings	**82**		
Recognised in profit and loss - pre tax			
- Net finance costs	**13**		
- Significant items	**(37)**		
- Changes in fair value of financial instruments	**237**		
Total change in fair value	**367**		

6. Funding and Capital Expenditure

Total borrowings increased from $3.7 billion to $3.9 billion, an increase of 5.4% due to the partial debt funding of the acquisition of the Macquarie Generation assets and the funding of AGL's capital expenditure program; including the Newcastle Gas Storage Facility, Natural Gas projects and operating plant maintenance programs. AGL issued $600 million in Medium Term Notes in October 2014, $350 million of the notes were used to repay the debt bridge used for the purchase of the Macquarie Generation assets. AGL continues to prepay Loy Yang debt with longer tenure bank debt. A $410 million syndicated 6.5yr term debt was executed in February 2015 to partially prepay Loy Yang senior debt and a $100 million bridge facility was established in April 2015 to refinance an on market buy-back of Loy Yang CPI Indexed bonds. AGL's Gearing (Net Debt / (Net Debt + Equity) as at 30 June 2015 was 28.6% (FY14: 29.8%), consistent with the BBB Standard & Poor's credit rating.

Total capital expenditure was $794 million, $277 million higher than FY14. "Sustaining" capital expenditure was $368 million (2014: $255 million) and included office relocation costs, consistent expenditure on Loy Yang maintenance, and the addition of AGL Macquarie maintenance. Capital expenditure on growth initiatives net of government grants was $426 million and included $72 million of expenditure on the Newcastle Gas Storage Facility and $101 million on Natural Gas projects. Expenditure on the solar generation projects was $263 million for the year, less government grant receipts of $31 million for the year. Other growth expenditure of $21 million related to New Energy projects. Expenditure on growth projects was $164 million higher than FY14.

7. Business Acquisitions and Disposals

On 2 September 2014, AGL completed the $1,505 million acquisition of the Macquarie Generation assets from the NSW Government. The Macquarie Generation assets include the Bayswater and Liddell power stations.

8. Business Risks and Mitigations

AGL identifies major risk exposures using an enterprise-wide risk program based on ISO 31000, 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	Description and Mitigation
1. Policy uncertainty	The risk that political intervention results in increased regulation and/or unfavorable policy outcomes in areas such as competition, affordability, tariff reform, competitive neutrality and decarbonisation. AGL engages with governments and regulators to promote responsible policies in the areas of tariff reform, retail price deregulation, and carbon reduction. AGL works with customer representative bodies and charitable organisations to promote industry policies and practices to assist energy consumers struggling with the affordability of energy costs.
2. Reputation & trust	The risk that customer, community, regulator, employee and investor expectations are not met, creating a negative effect on reputation or lack of trust with key stakeholders. AGL communicates frequently with all key stakeholder groups. AGL's compliance program is designed to prevent material breaches of relevant legislation.
3. Shareholder returns	The risk of failing to deliver financially competitive operations or in failing to maintain capital funding requirements to finance AGL's growth objectives and to generate adequate returns for shareholders. AGL has announced plans to reduce its operating costs and sustaining capital expenditure and to divest non-core assets. AGL has also developed plans to grow its New Energy business to provide opportunities for future earnings growth.
4. Execution of our New Energy strategy	The risk that the New Energy strategy for renewable energy, energy efficiency and smarter technology does not achieve revenue and EBIT objectives. AGL has set targets for smart home connections, rooftop solar installations and total revenue to provide a basis for continuous monitoring of performance.
5. Asset operations	The risk that AGL fails to achieve/exceed operational and reliability targets while ensuring health, safety and environmental obligations are met. AGL has in place a comprehensive asset maintenance plan to monitor that assets are being operated safely, sustainably and reliably.
6. Business resilience	The risk of failing to operate assets safely, efficiently and reliably and in accordance with environmental obligations. AGL's risk framework operates to identify material risks, put in place processes to prevent risk events from occurring, and to identify, respond to and recover from risk events that do occur. AGL's emergency response, disaster recovery and business continuity plans are key components of this framework.
7. Access to gas supply	The risk that AGL does not secure gas on competitive and commercial terms to supply its customer base. AGL has adopted a diverse approach to sourcing gas supplies, including self-production, long-term gas contracts, and the construction of gas storage assets at Newcastle (in NSW) and Silver Springs (in QLD).
8. Delivery of energy market returns	The risk that AGL does not generate sufficient returns from the underlying energy markets business. AGL's marketing strategies are directed at retaining or acquiring customers with the highest value. AGL's scale provides a base for keeping costs to a minimum. A program of organisational transformation is being developed to deliver cost efficiencies. New products have been developed to differentiate AGL from its competitors.

9. Subsequent Events

Apart from the matters discussed below or elsewhere in this Directors' Report or the AGL Financial Report, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2015 that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in the future.

10. Information on Audits

This report has been derived from the AGL Financial Report 2015 which has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and interpretations or other standards acceptable to ASX.

This report, and the financial statements upon which the report is based, use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on financial statements that have been audited.

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

The audit report, which is unqualified, is attached to the AGL Financial Report 2015 also released to the market on 12 August 2015.

AGL Energy Limited
Remuneration Report

For the year ended 30 June 2015

This report is attached to and forms part of the Directors' Report

Remuneration Report

Dear Fellow Shareholder,

On behalf of the Board we are pleased to introduce AGL's 2015 Remuneration Report.

AGL's approach to remuneration is intended to attract and retain the best talent to deliver our strategic objectives and align executive rewards with the creation and delivery of shareholder value.

In the 2015 financial year, at the underlying profit level, AGL continued to perform well, reporting a net profit after tax of $630 million, an increase of 12.1% from the previous period. AGL's statutory net profit after tax was $218 million which primarily reflects the impairments of Upstream Gas assets and AGL Macquarie acquisition costs. The results include the earnings of AGL Macquarie from 2 September 2014.

During the year, we appointed Mr Andy Vesey as CEO and Managing Director to replace long serving CEO Michael Fraser. Andy's remuneration package is more heavily weighted in favour of incentive remuneration, and his starting fixed remuneration level was set below that of his predecessor.

Following the appointment of Andy, there has also been a restructure of our Executive Team. Appointments were made from both our internal talent pool and external candidates. New executives were appointed at market competitive levels to attract and retain the right talent to deliver our strategy, which has been refined and revised under Andy's leadership.

While there have been a number of changes in the Executive Team during the year, earlier in the financial year a number of increases were made to fixed remuneration levels of existing KMP to address issues of market competitiveness and internal relativities.

In terms of our incentive programs the group financial targets under the STI were met with underlying profit after tax increasing by 12.1% on 2014. The STI financial target was increased during the year to reflect the business case presented to the Board in relation to the acquisition of the Macquarie Generation assets. The Executive Team delivered the targeted performance to meet our safety, customer and engagement conditions, which are critical to the long-term success of AGL, and most executives also met their other non-financial targets in large measure or in full. The effect of impairments to AGL's Upstream Gas assets has been taken into account where appropriate in assessing the 2015 STI payments.

As the Executive Team was reconstituted we increased STI percentage opportunities for some executives to address issues of market competitiveness. In conjunction, the Board has introduced STI deferral for all KMP, with 50% of the CEO's STI and, initially, 10% of other KMP's STI deferred into shares for 12 months. For FY15 we rebalanced the weighting of the financial measures to 70% for the CEO and progressively to 60% for other KMP. We have continued to rebalance the weighting of financial and non-financial measures and for FY16 financial measures will comprise 70% for all KMP to provide stronger accountability in delivering appropriate returns to shareholders.

Outcomes under the LTI banking plan were mixed. AGL's absolute TSR was 14.8% over the performance period, resulting in the maximum deposit possible being made in relation to the absolute TSR performance condition. This result against our longer term target of absolute TSR of 14% was achieved over a period when the market also performed well relative to AGL, resulting in the relative TSR performance condition achieving the 47th percentile of the ASX100 comparator group and resulting in a modest contribution into the Relative TSR bank account. As we underperformed against the EBIT/Funds Employed target, a clawback was applied to the notional bank account. While it may be contended that our relative TSR performance is at odds with the Board's absolute TSR performance hurdles, the Board considers absolute TSR of more than 14% is still a good rate of return for shareholders.

As announced to the market and in the context of a rapidly evolving energy industry, the new management team under Andy's leadership is pursuing a revised corporate strategy. As AGL transitions from a vertically integrated energy generator to an anticipatory, agile, customer-focussed organisation embracing technology and innovation, we will be focusing on improving capital efficiency and pursuing sustainable earnings growth in both our core retail business and emerging new energy technologies.

The setting of strategic direction and introduction of a new leadership structure led by Andy presents an opportunity to revisit our remuneration framework. Accordingly, the Board is well advanced with a holistic review of the current remuneration framework. As part of this review, taking into account the views of our new CEO and the management team, and having regard to views expressed by our shareholders, the Board has decided that a number of changes to our remuneration practices and policies are appropriate. These changes are intended to align with the strategic roadmap, and to re-emphasise our focus on improving financial returns and the ongoing creation of long term value for shareholders.

We are currently working through the detail and will report on changes to the remuneration framework as a whole in the 2016 Annual Report. One change we can confirm, is that a simpler LTI plan will apply from FY16 onwards to reward the creation of long term shareholder value.

From FY16, adjustments to statutory financial results for incentive purposes will continue to include unrealised electricity market hedging gains or losses, but will only include, at board discretion, significant items where it can be clearly demonstrated that their exclusion was outside management control or foresight and would be inequitable.

On behalf of the Board we look forward to welcoming you to the 2015 AGM.

Yours faithfully

Les Hosking (Chair of People and Performance Committee) and Jeremy Maycock (Board Chair)

Remuneration Report Contents

The Directors present the Remuneration Report for AGL Energy Limited and its consolidated entities for the year ended 30 June 2015 in line with Section 300A of the Corporations Act.

This report covers the remuneration and benefits of AGL's Key Management Personnel (KMP).

1. AGL performance in 2015

The Directors are pleased to present AGL Energy Limited's sound underlying financial performance for 2015, with AGL posting increased underlying profit after tax (NPAT), revenue, and earnings before interest and tax (EBIT). In summary:

- underlying net profit after tax increased by $68 million or 12.1% on 2014.
- underlying operating cash flow increased by $426 million or 56.1% on 2014.
- revenue increased by $233 million, up 2.2% on 2014.
- earnings before interest and tax was up $122 million, or 12.2% on 2014.

These results are reflected in remuneration outcomes for 2015 (see section 6).

2. Remuneration framework

2.1 Key Management Personnel

Key Management Personnel (KMP) are those people who have authority and responsibility for planning, directing and controlling the activities of AGL. The KMP are the Managing Director/Chief Executive Officer (MD/CEO), certain AGL executives (together, the Executives) and each of the non-executive Directors.

The KMP for 2015 and detailed in this Report are listed below.

Name	Position	Tenure
Managing Director and Chief Executive Officer		
Andy Vesey (1)	Managing Director and Chief Executive Officer	Part year
Executives		
Daniel Cram (2)	Executive General Manager, People and Culture	Part year
Marc England (3)	Executive General Manager, New Energy	Part year
Doug Jackson (4)	Executive General Manager, Group Operations (acting)	Part year
Stephen Mikkelsen (5)	Executive General Manager, Energy Markets	Full year
Alistair Preston (6)	Executive General Manager, Organisational Transformation	Part year
Brett Redman	Chief Financial Officer	Full year
Former executive directors		
Michael Fraser (7)	Managing Director and Chief Executive Officer	Part year
Former senior executives		
Anthony Fowler (8)	Group General Manager Merchant Energy	Full year
Michael Moraza (9)	Group General Manager Upstream Gas	Part year
Non-executive directors		
Jeremy Maycock	Chairman	Full year
Les Hosking	Non-executive Director	Full year
Graeme Hunt	Non-executive Director	Full year
Belinda Hutchinson	Non-executive Director	Full year
Sandra McPhee	Non-executive Director	Full year
Bruce Phillips	Non-executive Director	Full year
John Stanhope	Non-executive Director	Full year

(1) Andy Vesey was appointed as Managing Director and Chief Executive Officer effective 12 February 2015.
(2) Daniel Cram was the Head of People and Culture, Merchant Energy, Corporate and Head of AGL Employee Relations prior to his appointment as Executive General Manager, People and Culture effective 12 May 2015.
(3) Marc England was the Group Head of Strategy prior to his appointment as Executive General Manager, New Energy on 4 May 2015.

(4) Doug Jackson was the Chief Operating Officer, Merchant Operations prior to his appointment as acting Executive General Manager, Group Operations on 4 May 2015.
(5) Stephen Mikkelsen was the Group General Manager Retail Energy prior to his appointment as Executive General Manager, Energy Markets on 4 May 2015.
(6) Alistair Preston was appointed Executive General Manager, Organisational Transformation effective 1 June 2015.
(7) Michael Fraser retired effective 11 February 2015.
(8) Anthony Fowler's role was made redundant effective 1 July 2015.
(9) Michael Moraza retired effective 18 February 2015.

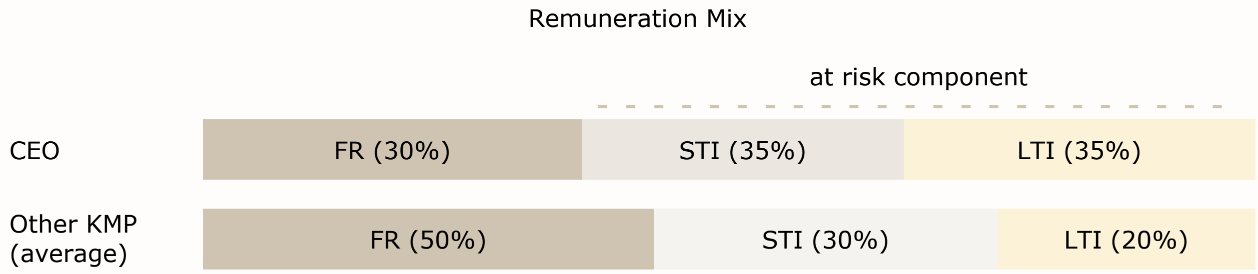
2.2 Remuneration framework

AGL's Board is committed to an Executive remuneration framework that is focused on driving a performance culture and linking Executive pay to the achievement of the AGL's objectives and ultimately, generating satisfactory returns to shareholders. Our Executive remuneration framework comprises three elements:

- fixed remuneration (FR);
- a short-term incentive (STI); and
- a long-term incentive (LTI).

Together, STI and LTI are known as the 'variable' or 'at risk' element of Executive remuneration. The three components are intended to provide an appropriate mix of fixed and variable remuneration, and provide a combination of incentives intended to drive performance against AGL's short and longer term business objectives. If the performance hurdles are not met, Executives lose that part of their potential variable remuneration.

AGL's mix of remuneration components for each of the Executives disclosed in this Report for the 2015 financial year allocation is as follows:



The following diagram provides the linkage between the components of remuneration for Executives, the performance measures used to determine the outcomes and the strategic objectives of AGL these are designed to achieve.

Component	Performance measure	Strategic objective
Fixed remuneration • Base salary plus any superannuation contributions • Salary sacrifice items (eg novated vehicle lease payments)	Considerations: • Scope and nature of the role and responsibilities • Executive's performance • Executive's expertise, skills and experience • Relevant market analysis	• Set at competitive levels (including internationally) to attract, retain and motivate the right talent to deliver on our strategy. • For Executives who are new to their roles, the objective is to set fixed remuneration at relatively modest levels compared to their peers and to progressively increase based on individual performance as they prove themselves in their roles.
Short-term incentive (STI) • Cash • Deferred shares (CEO: 50% of award, other KMP: 10% of award)	Financial measures: underlying profit Non-financial measures: • People Management (includes employee safety and engagement) • Strategic Growth and Innovation (includes customer and individual KMP objectives) Weighting: • CEO: 70% financial, 30% non-financial • Other KMP: 60% financial, 40% non-financial	Financial targets are set to ensure strong discipline is maintained. Underlying profit is aligned with budget and should drive dividends and share price growth over time. Items that are not within management control or foresight are excluded. Non-financial objectives drive performance and behaviours, which are consistent with achieving our key strategic objectives. • Providing a safe workplace is critical. • With a customer base in excess of 3.7 million, customer satisfaction is considered critical to AGL's long term success. The Board is focused on ensuring our customer centric culture is maintained and further strengthened. • AGL values its employees, and believes that high levels of employee engagement translate to better customer service and performance output. • As each Executive's individual responsibilities impact the overall AGL business, performance objectives are also set in relation to their specific area of responsibility. Performance against these objectives is intended to translate to improved shareholder return.
Long-term incentive (LTI) • Share performance rights • Held in notional bank accounts over the long term, subject to share price risk and clawback in future years, with a portion released each year	• **Relative Total Shareholder Return (RTSR)** measured against the ASX100 (50%) • Annual growth in **Absolute Total Shareholder Return (ATSR)** (50%)	External market measures are aligned with, and reward the generation of, sustained shareholder value over the long-term • RTSR requires AGL to outperform the returns delivered by other ASX100 companies. • ATSR requires year on year growth and delivery of strong returns to shareholders The operation of the plan aligns shareholder and executive interest over the long term. SPRs are 'banked' and the majority are retained in bank accounts over the long term, subject to share price risk and clawback in future years.
Total remuneration	The total remuneration mix is designed to attract, retain and motivate appropriately qualified and experienced Executives, encourage a strong focus on performance, align the interests of Executives and stakeholder interests and support the delivery of outstanding returns to AGL shareholders over the short and long-term.	

3. Remuneration governance

3.1 Policy and approach to setting remuneration

Our remuneration policy is designed to:

- be set at competitive levels to attract, retain and motivate key talent;
- drive performance and behavior to achieve AGL's short and long term objectives;
- support executive accountability for delivering agreed levels of performance; and
- align executive reward with the creation of long term sustainable value for shareholders.

3.2 Role of People and Performance Committee

The Board takes an active role in the governance and oversight of AGL's remuneration policies and is responsible for ensuring that AGL's remuneration strategy aligns with AGL's short and longer term business objectives.

The People and Performance Committee (Committee) reviews and makes recommendations to the Board on the remuneration arrangements for the CEO/MD, non-executive Directors and Executives. Details of the composition of the Committee are set out on pages and 1 and 2.

To assist in performing its duties, and making recommendations to the Board, the Committee seeks independent advice from external consultants on various remuneration related matters.

During 2015, *3 degrees consulting* was engaged to provide market practice information and independent advice on certain other governance and remuneration related matters. *3 degrees consulting* did not provide any 'remuneration recommendations' as defined in the Corporations Act 2001 during the 2015 financial year.

3.3 Minimum shareholding policy

While AGL does not have in place a formal minimum shareholding policy for non-executive Directors and Executives, they currently hold sizeable shareholdings, including approximately two times NED fees for the Chairman and 50% of FR for the recently appointed CEO. The former long serving CEO had more than 100% of FR on retirement. AGL's new CEO holds shares equivalent to approximately 60% of FR.

The details of non-executive Directors and Executives shareholdings as at 30 June 2015, are set out in a table in section 9.2 on page 62.

3.4 Hedging policy

To ensure alignment between Executives' incentives and shareholders' interests, AGL has a policy in place that prevents Executives from entering into any derivative or other financial product in relation to the SPRs notionally granted under the LTIP or in relation to AGL securities in general without prior written approval.

4. Short term incentive plan

The STI is an annual incentive plan delivered in cash and deferred shares subject to the achievement of pre-defined AGL and individual performance objectives.

4.1 Summary of performance in FY15

The table below sets out the performance objectives for the 2015 STI and whether those objectives were met, exceeded expectations or fell below expectations.

		RESULT
FINANCIAL OBJECTIVES	Financial results	**Statutory Profit** Statutory net profit after tax in 2015 was $218 million - down 61.8% on 2014. **Underlying profit** Underlying profit after tax in 2015 was $630 million – that is 12.1% above last year. Result – exceeded expectations (see below). The STI financial target was increased during the year to reflect the business case presented to the Board in relation to the acquisition of the Macquarie Generation assets. For the underlying profit after tax calculation the following adjustments have been made: Gains or losses on changes in the fair value of energy derivative (hedging) contracts between the start and end of the reporting period which are required to be recognised as a profit or loss at the end of the financial year were excluded. Other one-off items excluded from the underlying profit calculation in 2015 include the impacts of lower gas prices on asset values and the consequences of the decision, to focus on core gas projects and divest non-core and underperforming gas assets and activities. Macquarie generation acquisition costs and restructuring costs were also excluded. KMP previously responsible for the Upstream Gas business did not receive any discretionary STI payments. Most executives with financial responsibility for other divisions had their STI payments set below their nominal entitlements by 10%, reflecting a degree of collective responsibility.
NON-FINANCIAL OBJECTIVES	People & Management	**Safety performance** Result – exceeded expectations. Lagging safety indicators improved across AGL. Overall AGL's Lost Time Injury Frequency Rate for 2015 was 10.7% lower compared to the previous year at 2.5 and the Occupational Injury Frequency Rate was 38% lower than the previous year at 2.0 and all specific safety actions plans for 2015 were completed. **Employee engagement** Result – met expectations. Numerous initiatives to promote engagement were successfully implemented across the business. The overall 2015 survey result for employee engagement at AGL was 76% which placed AGL in the Best Performing Zone against an international benchmark.

NON-FINANCIAL OBJECTIVES	Customer & Strategic	**Customer satisfaction** Result - met expectations. Generally customer metrics tracked well against a range of metrics including mean customer satisfaction score and overall customer satisfaction. **Individual KMP objectives** Result – generally met or exceeded expectations. Individual Executives focused on delivery of their strategic performance objectives including, growth and market based initiatives such as: • successful integration of AGL Macquarie; • development and integration of new power generation and gas storage; • focusing on operational excellence; • optimisation of AGL's medium to long term gas portfolio; • ongoing development of customer centric culture resulting in improved customer engagement and satisfaction measured on a range of indicators; • productivity improvement across the Merchant business, including best in class generation, trading and investment, implementation of value programs and optimisation of back office processes.

How are STI outcomes measured?

STI awards are determined after the preparation of the financial statements in each year, in respect of the financial measure, and after a review of performance against non-financial measures, at the end of the financial year.

	MEASUREMENT
FINANCIAL OBJECTIVES	Underlying profit is the statutory profit adjusted for significant items and changes in the fair value of financial instruments. In general, the exclusion of these items allows a better understanding of financial performance, as it allows for a more relevant comparison between financial periods because it removes: • one off material items of revenue or expense that are unrelated to the underlying performance of the business; • changes in the fair value of financial instruments (ie hedges and other derivatives) recognised in the statement of profit or loss to remove the volatility caused by mismatches in valuing derivatives and the underlying asset differently. Underlying profit is calculated with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. From FY16, adjustments to statutory financial results for incentive purposes will continue to include unrealised electricity market hedging gains or losses, but will only include, at board discretion, significant items where it can be clearly demonstrated that their exclusion was outside management control or foresight and would be inequitable.
NON-FINANCIAL OBJECTIVES	People and management and customer non-financial objectives are assessed against a range of defined measures such safety and leadership plans, annual employee engagement surveys and customer satisfaction metrics. Individual objectives are assessed against a range of strategic growth and market based initiatives, such as: • development of a customer centric culture; • developing and integrating new power generation, and gas storage; • pursuing acquisitions; • focus on operational excellence; and • progressing workforce diversity (including gender and sexual orientation).

4.2 STI outcomes for FY15

The table below shows the STI opportunities and outcomes for 2015 for each KMP, including the breakdown between cash and shares. STI cash payments are made and deferred shares are allocated in September following the end of financial year. The deferred component of STI for KMP is subject to 'malus' during deferral period in the case of misstatement of the financial accounts or gross misconduct.

Executive KMP	STI opportunity as a % of FR	Percentage of STI opportunity earned (1)
Andy Vesey	120%	60% (2)
Daniel Cram	40%	90%
Marc England	50%	90%
Doug Jackson	70%	90%
Stephen Mikkelsen	70%	80%
Alistair Preston	60%	Not applicable (3)
Brett Redman	70%	80%

Former Executive KMP	STI opportunity as a % of FR	Percentage of STI opportunity earned
Michael Fraser	100%	99% (4)
Anthony Fowler	70%	90%
Michael Moraza	60%	0%

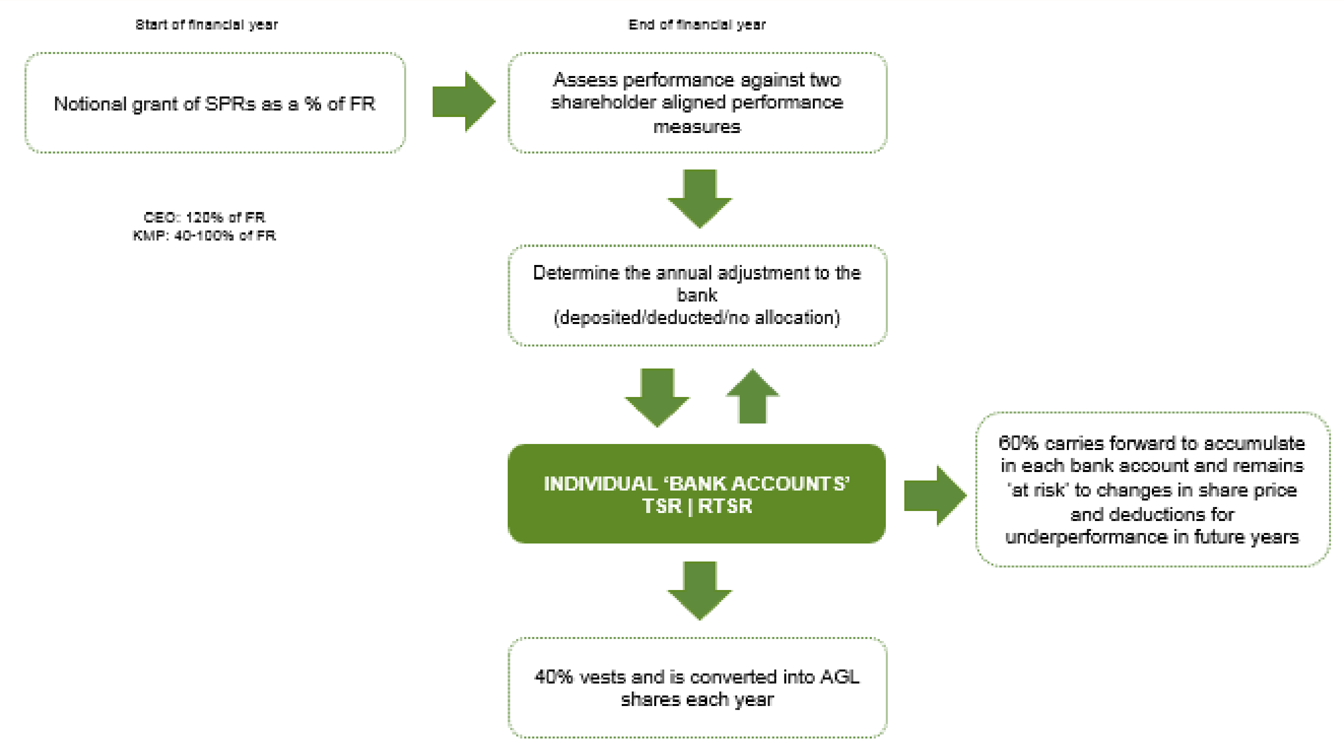
Notes:
(1) For Andy Vesey, 50% is awarded in cash, 50% is deferred into equity. For the other executives, 90% is awarded in cash, 10% in equity.
(2) Payment was calculated based on 6 months employment.
(3) For Alistair Preston no STI was payable as he commenced on 1 June 2015.
(4) For Michael Fraser payment was contractual upon cessation of employment and in cash.

The details of actual STI received for the year ended 30 June 2015 for KMP are set out in the remuneration table in section 6 on page 57.

5. Long term incentive plan

5.1 Overview

An outline of the key steps in the workings of AGL's current LTI Plan are set out below.



5.2 Operation of LTI Plan

The LTI Plan both rewards good performance and penalises underperformance based on AGL's performance over the long-term.

- **Deposits** (additions) of SPRs are made to the participant's bank accounts where performance meets or exceeds performance hurdles set. Using a multiplier, a maximum of twice the number of SPRs notionally granted may be banked in respect of both the Absolute TSR and Relative TSR bank accounts.
- **No allocation** of SPRs is made to the participants bank accounts for performance levels that the Board does not consider should be rewarded.
- **Clawbacks** (deductions) of previously banked SPRs can be (and have been) made to participants bank accounts where AGL underperforms or if performance is not sustained over a longer period of time. Using a multiplier, a maximum of twice the number of SPRs notionally granted may be clawed back in respect of the Absolute TSR account and one times in respect of the Relative TSR account.

The majority of SPRs (following additions or deductions from the bank each year) are carried forward each year and held in the bank until vesting. Any negative balance also rolls forward to the following year.

The value of the banked awards therefore remain 'at risk' and are subject to:
- future share price fluctuations; and
- additional clawbacks in future years based on performance against the LTI performance hurdles.

Executives have direct visibility over annual performance conditions, yet a large portion of SPRs are at risk over the long term, encouraging Executives to think like shareholders and pursue sustainable growth in shareholder value.

This supports the objective of the LTI plan to align shareholder and Executive interests over the long term.

Banking schedule

The plan progressively rewards (through deposits) and penalises (using the clawback mechanism) Executives to reflect the level of performance achieved against two performance measures. Each Executive has two active notional share bank accounts, one for ATSR and one for RTSR, which operate independently.

The schedules below describes how the number of SPRs to be 'banked' in, or clawed back from, each account (based on notional grant of SPRs made at the start of the year) is determined against the relevant performance measure.

Absolute TSR

Annual growth in ATSR	Less than or equal to minus 14%	Between minus 4% and 4%	Greater than or equal to 14%
Multiplier	Minus 2x	0	2x

With straight line vesting between each of the annual growth in ATSR values.

Relative TSR

RTSR percentile ranking	0-25th	25-39th	40th *	50th	65th	90th +
Multiplier	Minus 1x	0x	0.4x	0.5x	1x	2x

With straight line vesting between each of the percentile rankings.

*The Board acknowledges that it is more common to commence vesting at the 50th percentile. Given that AGL has one of the lowest price volatilities in the ASX100, the motivational effect of the LTI would be diminished if vesting commenced at the 50th percentile. Accordingly, a modest portion (0.4x) commences vesting at the 40th percentile.

Cessation of employment or change of control

In general, all 'banked' share performance rights vest and are converted into shares in AGL on cessation in 'good leaver' circumstances.

50% of any positive balances in a good leaver's notional bank account will be released on retirement (to enable the Executive to fund the tax liability that arises on cessation), and the remaining 50% will remain in the account and paid out 12 months following cessation to ensure that Executives remain aligned with shareholders over this period.

In the event of redundancy, total or permanent disability, or death, any positive notional share bank balance is distributed as shares as soon as practicable following the opening of the next share trading window. Any negative balance is eliminated.

If a participant ceases employment before the SPRs vest in circumstances other than 'good leaver' (ie resignation, termination for gross misconduct, AGL initiated termination other than redundancy), any positive balance is forfeited or any negative balance is eliminated.

Upon a change of control, all positive notional bank account balances are released (as soon as reasonably practicable within the first share trading window following the change of control or other time determined by the Board) and any negative balances are extinguished.

5.3 LTI outcomes

Outcomes in FY15

AGL's absolute TSR was 14.8% over the performance period, resulting in the maximum deposit possible being made in relation to the absolute TSR performance condition. This result against our longer term target of absolute TSR of 14% was achieved over a period when the market also performed well relative to AGL, resulting in the relative TSR performance condition achieving the 47th percentile of the ASX100 comparator group and resulting in a modest contribution into the Relative TSR bank account.

A clawback was applied to the EBIT/Funds Employed notional bank account.

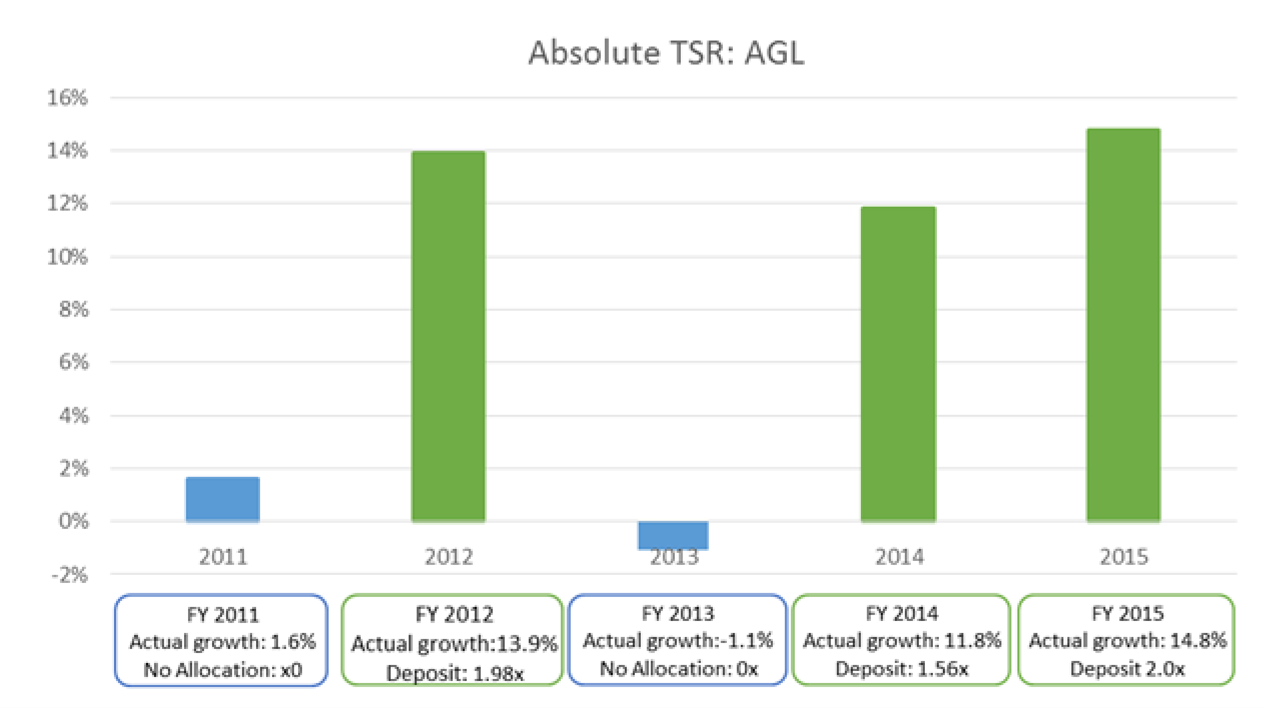
The table below shows what will be deposited into or deducted from the notional bank accounts in FY16 to reflect FY15 performance results for each current KMP who participated in FY15. Please note that Andy Vesey, Daniel Cram and Alistair Preston were appointed during the year and did not participate in the LTIP in FY15.

Name	Performance hurdles	Opening balance	Deposit to be made to bank	Deduction to be made from bank	Vested - 40% released after deposits/deductions have been made	Balance to be carried forward
Marc England	ATSR	6,896	15,033	0	(8,772)	13,157
	RTSR	0	3,533	0	(1,413)	2,120
Doug Jackson	ATSR	2,069	4,029	0	(2,439)	3,659
	RTSR	0	947	0	(379)	568
	EBIT/Funds employed (1)	0	0	0	0	0
Stephen Mikkelsen	ATSR	22,341	29,592	0	(20,773)	31,160
	RTSR	0	6,954	0	(2,782)	4,172
	EBIT/Funds employed (1)	2,477	0	(594)	(1,883)	0
Brett Redman	ATSR	10,783	26,144	0	(14,771)	22,156
	RTSR	0	6,144	0	(2,458)	3,686
	EBIT/Funds employed (1)	609	0	(146)	(463)	0

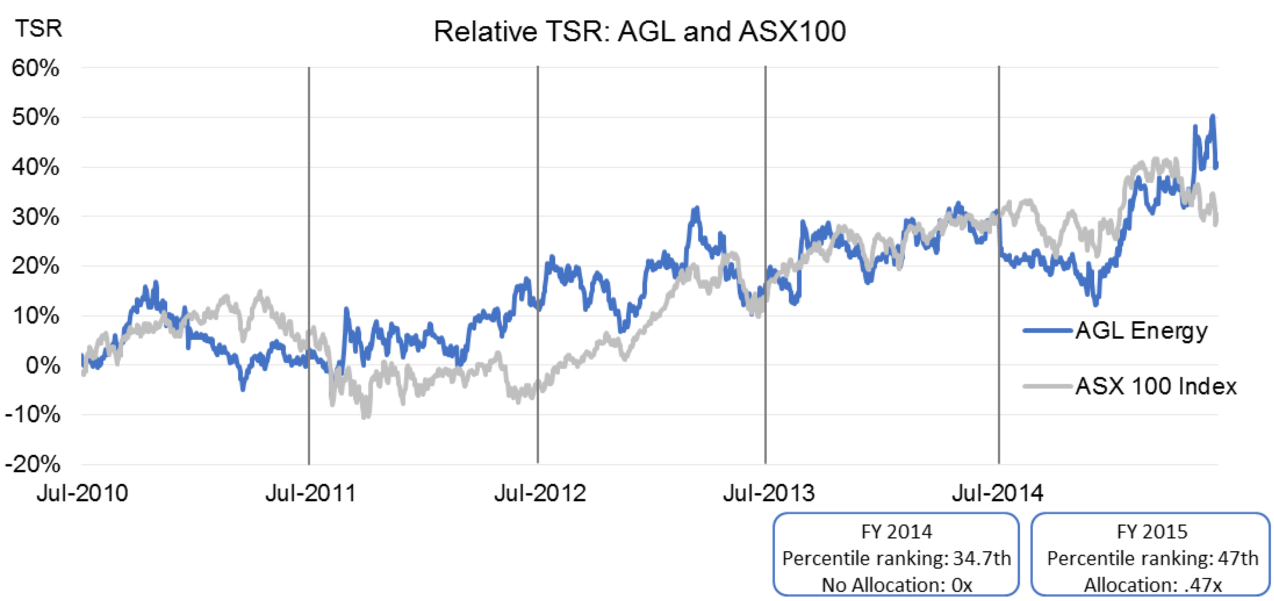
(1) The EBIT/Funds Employed account was closed effective 30 June 2013. No further allocations will be made to this account however to ensure performance against the EBIT/Funds Employed condition is sustained, the balance in that account will remain subject to clawback until September 2015.

Outcomes over the last 5 years

The Board considers the LTI Plan has served AGL well, strongly aligning remuneration outcomes (ie whether there were additions to, deductions from, or no allocation made to the bank) over the past 5 years with shareholder experience, as illustrated in the diagrams below.



Relative TSR replaced EBIT/Funds Employed as a hurdle in 2014.



EBIT/Funds Employed

In 2011 and 2014, clawbacks were made from the EBIT/Funds Employed bank account as a result of underperformance in those years. For FY15 the EBIT/Funds Employed notional bank account was again reduced due to a clawback being applied as a result of underperformance against target. Note, while the bank account was closed effective 30 June 2013, the balance remained subject to clawback until September 2015.

LTI allocation: FY16

As indicated previously, AGL's LTI plan will be amended from FY16. It is intended that KMP will be granted performance rights in line with their individual remuneration packages.

6. Executive KMP remuneration disclosures

A number of increases were made to fixed remuneration levels of existing KMP to address issues of market competitiveness and internal relativities. The changes ranged from 2.9% to 23%. The 23% increase was granted to Brett Redman in accordance with our policy to intentionally set fixed remuneration at relatively modest levels for executives new to their roles, and to progressively increase based on individual performance. The increase is in recognition of his individual performance and brings him to market competitive levels relative to his peers.

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

Key Management Personnel (Senior Executives) statutory remuneration

			Short-Term Benefits				Post-Employment Benefits			Other Long-Term Benefits	Termination Benefits	Share-Based Payments			
		Year	Cash Salary & Fees $	Short-Term Incentives (a) $	Non-Monetary Benefits (b) $	Other Short-Term Benefits $	Superannuation $		Retirement Benefits $	$	$	Share Performance Rights (c) $	Other $	Total $	Value of Equity as a percentage of Total
Key Management Personnel for year ended 30 June															
Andy Vesey (for part year)	(d)	**2015**	**1,909,621**	**1,140,000**	**115,036**	**0**	**0**		**0**	**0**	**0**	**0**	**1,103,760**	**4,268,417**	**25.9%**
		2014	0	0	0	0	0		0	0	0	0	0	0	0.0%
Stephen Mikkelsen		**2015**	**882,467**	**507,100**	**118,053**	**0**	**18,783**		**0**	**0**	**0**	**327,751**	**0**	**1,854,154**	**17.7%**
		2014	856,681	225,000	38,984	0	17,775		0	0	0	423,527	0	1,561,967	27.1%
Brett Redman		**2015**	**756,217**	**448,000**	**0**	**0**	**18,783**		**0**	**0**	**0**	**187,624**	**0**	**1,410,624**	**13.3%**
		2014	632,225	162,500	0	0	17,775		0	0	0	211,707	0	1,024,207	20.7%
Daniel Cram (for part year)	(e)	**2015**	**78,767**	**207,000**	**0**	**0**	**2,573**	(f)	**0**	**0**	**0**	**0**	**0**	**288,340**	**0.0%**
Marc England (for part year)	(g)	**2015**	**91,370**	**258,750**	**0**	**0**	**2,985**		**0**	**0**	**0**	**103,376**	**0**	**456,481**	**22.6%**
Doug Jackson (for part year)	(h)	**2015**	**97,964**	**388,400**	**0**	**0**	**2,985**		**0**	**0**	**0**	**29,210**	**0**	**518,559**	**5.6%**
Alistair Preston (for part year)	(i)	**2015**	**276,667**	**0**	**0**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**276,667**	**0.0%**
Former Key Management Personnel															
Anthony Fowler	(j)	**2015**	**817,677**	**551,250**	**0**	**0**	**29,583**	(f)	**0**	**0**	**0**	**451,910**	**0**	**1,850,420**	**24.4%**
		2014	757,205	220,000	0	0	27,555	(f)	0	0	0	382,362	0	1,387,122	27.6%
Michael Fraser	(k)	**2015**	**2,816,557**	**2,203,443**	**0**	**0**	**302,378**		**0**	**0**	**836,324**	**1,521,589**	**0**	**7,680,291**	**19.8%**
		2014	1,682,814	973,350	63,420	0	480,186		0	0	0	2,110,798	0	5,310,568	39.7%
Michael Moraza	(l)	**2015**	**1,355,090**	**0**	**0**	**0**	**105,688**		**0**	**0**	**0**	**0**	**0**	**1,460,778**	**0.0%**
		2014	595,555	61,000	0	0	140,918		0	0	0	329,038	0	1,126,511	29.2%
Total for all KMP	(m)	**2015**	**9,082,397**	**5,703,943**	**233,089**	**0**	**483,758**		**0**	**0**	**836,324**	**2,621,460**	**1,103,760**	**20,064,731**	
Total for all KMP		2014	4,524,480	1,641,850	102,404	0	684,209		0	0	0	3,457,432	0	10,410,375	

(a) Earned in respect of 2014/2015 financial year and to be paid in September 2015.
(b) Includes the value of benefits such as, relocation expenses, entertainment and Fringe Benefits Tax.
(c) The fair value of LTI SPRs has been calculated using Monte Carlo Simulation.
(d) Andy Vesey commenced employment 12 January 2015 and was appointed Managing Director and Chief Executive Officer on 12 February 2015. Cash salary and fees includes an amount of $1m paid to cover any US or Australian tax costs arising as a result of the award of 73,000 AGL ordinary shares on commencement, which are to be retained whilst employed by AGL. The shares were purchased on market at $15.12 per share at a total cost of $1,103,760. This benefit was offered in a highly competitive engagement process in recognition of incentives forgone.
(e) Daniel Cram was the Head of People and Culture, Merchant Energy, Corporate and Head of AGL Employee Relations prior to his appointment as Executive General Manager, People and Culture effective 12 May 2015.
(f) Includes salary sacrifice contributions.
(g) Marc England was the Group Head of Strategy prior to his appointment as Executive General Manager, New Energy on 4 May 2015.
(h) Doug Jackson was the Chief Operating Officer, Merchant Operations prior to his appointment as acting Executive General Manager, Group Operations on 4 May 2015.
(i) Alistair Preston was appointed Executive General Manager, Organisational Transformation effective 1 June 2015.
(j) Anthony Fowler's role was made redundant effective 1 July 2015.
(k) Michael Fraser retired effective 11 February 2015. The short term incentive payment was made in accordance with the contractual provisions of Mr Fraser's 2007 Service Agreement. The termination benefit represents the unworked portion of Mr Fraser's notice period up to 26 June 2015.
(l) Michael Moraza retired effective 18 February 2015.
(m) Totals for 2015 include payments for the new and former CEO as well as the disclosure of an additional 4 KMP over previous years. All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

7. Executive service agreements

Service agreements

Remuneration and other terms of employment for the Executives are formalised in service agreements (Service Agreements). 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. All Service Agreements are for unlimited duration.

Specific information relating to the Service Agreements of the Executives are set out in the table below.

	Notice Period (1)		Termination Payment (2)	Post-employment Restraint Period
	By Executive	By AGL		
CEO				
Andy Vesey (3)	6 months	12 months	-	12 months
Executives				
Daniel Cram	6 months (4)	3 months	9 months FR	6 months
Marc England	6 months (4)	3 months	9 months FR	6 months
Doug Jackson	3 months	3 months	-	12 months
Stephen Mikkelsen	6 months (4)	3 months (5)	9 months FR	6 months
Alistair Preston	6 months (4)	3 months	9 months FR	6 months
Brett Redman	6 months (4)	3 months	9 months FR	6 months

(1) AGL can, at its election, make a payment in lieu of part or all of the notice period.
(2) Maximum termination payment (exclusive of any payment in lieu of notice) payable if AGL terminates the Executive's employment other than for cause.
(3) Mr Vesey may also terminate his agreement with 3 months' notice in the event of a 'Fundamental Change', which includes circumstances where he ceases to hold the most senior management role within AGL or ceases to report directly to the Chairman, or if the scope of his responsibilities is materially diminished. In this case he will be entitled to a payment equivalent to 12 months FR.
(4) Executives, may also terminate their agreement with 3 months' notice in the event of a 'Fundamental Change', which includes circumstances where there has been a substantial diminution of role and responsibility of the Executive, in which event they will be entitled to a payment equivalent to 9 months FR.
(5) AGL will provide 6 months' notice in circumstances of unsatisfactory performance.

Retirement of Mr Fraser

As announced to the ASX on 14 May 2014, Michael Fraser notified the Board of his intention to retire by 30 June 2015.

Mr Fraser received a payment in lieu of the unworked portion of his notice period up to 26 June 2015 and his statutory entitlements (unused annual and long service leave) in accordance with the terms of his Executive Service Agreement. He did not receive any other termination payment.

In light of Mr Fraser's strong leadership and performance over his tenure as CEO, the Board treated Mr Fraser as a 'good leaver' under the STI and LTI plans, therefore Mr Fraser:

- in accordance with the contractual provisions of his 2007 Service Agreement, received a pro rata payment of $2.203 million for his STI for 2015 based upon 100% of his STI opportunity as well as the deferred component of his 2014 STI; and

- in accordance with previously received shareholder approval and the terms of the LTI after clawback, vesting and banking for 2014 occurred, received the remaining positive SPR bank account balance on retirement.

Under his Service Agreement, Mr Fraser is restrained, for a period of six months following cessation of his employment, from engaging with or working for a competitor, soliciting employees or clients of AGL to leave AGL or reducing the amount of business they do with AGL.

8. Non-executive Directors (NED) remuneration

Following a freeze on non-executive director fees in the 2014 financial year, in 2015 base fees and committee fees were increased by approximately 2.9% to ensure the fees paid to our non-executive directors remain competitive with fees paid by companies of a similar size to AGL.

8.1 NED remuneration policy

<table>
<tr><td>Overview of policy</td><td>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. The Chairman of the Board receives no extra remuneration for participating in or chairing Committees.</td></tr>
<tr><td>Aggregate fees approved by shareholders</td><td>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.

Total fees paid to non-executive directors during the 2015 financial year were $1.88 million, $0.62 million below the maximum aggregate cap, last approved by shareholders at the 2012 AGM.</td></tr>
<tr><td>Reviews</td><td>Non-executive Directors' fees are determined by the Board having regard to the anticipated time commitment, work load and responsibilities attaching to that office and having regard to the level of fees paid by companies with a similar market capitalization to enable the Board to attract and retain directors with appropriate skills and experience.</td></tr>
<tr><td>Base fees</td><td>The fee structure for non-executive Directors, effective 1 January 2015 (inclusive of statutory superannuation), is as follows:

<table>
<tr><th>Base fees</th><th>Chair ($)</th><th>Member ($)</th></tr>
<tr><td>Board (1)</td><td>519,700</td><td>180,100</td></tr>
<tr><td>Committee fees</td><td></td><td></td></tr>
<tr><td>Audit & Risk Management</td><td>49,400</td><td>24,700</td></tr>
<tr><td>Other Committees</td><td>36,000</td><td>17,500</td></tr>
</table>
1) The Chairman of the Board receives no additional fee for Committee work

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.</td></tr>
<tr><td>Base fee components</td><td>NEDs may choose to receive fees as a combination of one or more of:
(1) 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.
(2) 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.
(3) Cash. The balance of fee entitlements is paid in cash in equal monthly amounts over the year.

Non-executive Directors are permitted to vary the components of their fee entitlements at any time.</td></tr>
<tr><td>Governance</td><td>Non-executive Directors do not receive performance-related payments.

No options have been granted to non-executive Directors over any securities or interests of AGL or the consolidated entity</td></tr>
</table>

8.2 NED remuneration disclosures

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

Non-executive director statutory remuneration

		Short-Term Benefits	Post-Employment Benefits	Share-Based Payments			
Non-executive directors	Year	Cash Salary & Fees $	Superannuation $	Share Performance Rights $	Other Share Plans (b) $	Total (a) $	Value of Equity as a percentage of Total
Jeremy Maycock	**2015**	**488,590**	**18,783**	**0**	**4,977**	**512,350**	**1.0%**
	2014	482,225	17,775	0	5,000	505,000	1.0%
Les Hosking	**2015**	**218,617**	**18,783**	**0**	**0**	**237,400**	**0.0%**
	2014	216,225	17,775	0	0	234,000	0.0%
Graeme Hunt	**2015**	**193,653**	**18,397**	**0**	**0**	**212,050**	**0.0%**
	2014	191,304	17,696	0	0	209,000	0.0%
Belinda Hutchinson	**2015**	**200,388**	**18,762**	**0**	**0**	**219,150**	**0.0%**
	2014	198,225	17,775	0	0	216,000	0.0%
Sandra McPhee	**2015**	**218,617**	**18,783**	**0**	**0**	**237,400**	**0.0%**
	2014	216,225	17,775	0	0	234,000	0.0%
Bruce Phillips	**2015**	**233,426**	**21,724**	**0**	**0**	**255,150**	**0.0%**
	2014	198,442	17,557	0	0	215,999	0.0%
John Stanhope	**2015**	**224,717**	**18,783**	**0**	**0**	**243,500**	**0.0%**
	2014	222,225	17,775	0	0	240,000	0.0%
Total	**2015**	**1,778,008**	**134,015**	**0**	**4,977**	**1,917,000**	
Total	2014	1,724,871	124,128	0	5,000	1,853,999	

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.
(b) Value of shares acquired under the AGL Share Purchase Plan in lieu of remuneration non-executive Directors would have received.

9. Other statutory disclosures

9.1 Overview of AGL performance

Five-year financial performance

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

Year ended 30 June	2011	2012	2013	2014	2015
Statutory Profit[2] ($m)	559	115	375	570	218
Statutory EPS[1 & 2] (cents)	113.9	22.9	65.5	98.2	33.3
Underlying Profit[2] ($m)	431	482	585	562	630
Underlying EPS[1 & 2] (cents)	87.9	96.1	102.2	96.9	96.4
Dividends (cents)	60.0	61.0	63.0	63.0	64.0
Increase / (decrease) in share price[3] (%)	2.8	11.0	4.0	13.6	11.5
EBIT/Funds Employed[2] (%)	8.9	9.2	10.5	10.0	9.5
Adjusted EBIT / Funds Employed[2 & 4] (%)	10.5	11.6	12.7	11.7	11.0
ATSR[4 & 5] (%)	1.6	13.9	(1.1)	11.8	14.8
Relative TSR[4 & 6] (%)	-	-	-	34.7	47.4

Notes:
1. Restated for the bonus element of the one-for-five share rights issue completed in September 2014.
2. FY2013 restated for adoption of revised accounting standard AASB 119 *Employee Benefits.*
3. Closing share price adjusted for dividends and rights issues.
4. Used to calculate Executives' long-term incentives.
5. Based on June VWAP in each financial year.
6. Percentile ranking against ASX100 as measured by Orient Capital Pty Ltd.

9.2 KMP holdings of equity instruments in AGL

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2015

	Balance at 1 July 2014	Adjustment to SPR balance at 1 July 2014 (a)	SPRs deposited (deducted) during the year (b)	SPRs notionally granted during the year	Fair value per SPR at grant date (c)	SPRs vested during the year (d)	SPRs forfeited during the year	Balance at 30 June 2015
Michael Fraser								
TSR share bank account	65,212	3,249	124,296	-	Various	(192,757)	-	-
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	110,251	5,494	(90,281)	-	Various	(25,464)	-	-
Notional grant 25-Sep-14	-	-	-	-	-	-	-	-
Notional grant 9-Oct-13	151,790	-	(151,790)	-	$15.88	-	-	-
	327,253	8,743	(117,775)	-		(218,221)	-	-
Andrew Vesey								
TSR share bank account	-	-	-	-	-	-	-	-
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	-	-	-	-	-	-	-	-
	-	-	-	-		-	-	-
Daniel Cram								
TSR share bank account	-	-	-	-	-	-	-	-
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	-	-	-	-	-	-	-	-
	-	-	-	-		-	-	-
Marc England								
TSR share bank account	-	-	11,493	-	Various	(4,597)	-	6,896
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	-	-	-	-	-	-	-	-
Notional grant 25-Sep-14	-	-	-	15,033	$5.92	-	-	15,033
Notional grant 9-Oct-13	14,036	-	(14,036)	-	$15.88	-	-	-
	14,036	-	(2,543)	15,033		(4,597)	-	21,929
Anthony Fowler (e)								
TSR share bank account	9,326	465	22,986	-	Various	(13,111)	-	19,666
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	19,526	973	(15,989)	-	Various	(2,255)	-	2,255
Notional grant 25-Sep-14	-	-	-	28,595	$5.92	-	-	28,595
Notional grant 9-Oct-13	28,071	-	(28,071)	-	$15.88	-	-	-
	56,923	1,438	(21,074)	28,595		(15,366)	-	50,516
Doug Jackson								
TSR share bank account	-	-	3,448	-	Various	(1,379)	-	2,069
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	-	-	-	-	-	-	-	-
Notional grant 25-Sep-14	-	-	-	4,029	$5.92	-	-	4,029
Notional grant 9-Oct-13	4,211	-	(4,211)	-	$15.88	-	-	-
	4,211	-	(763)	4,029		(1,379)	-	6,098
Stephen Mikkelsen								
TSR share bank account	11,384	567	25,284	-	Various	(14,894)	-	22,341
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	21,452	1,069	(17,566)	-	Various	(2,478)	-	2,477
Notional grant 25-Sep-14	-	-	-	29,592	$5.92	-	-	29,592
Notional grant 9-Oct-13	30,878	-	(30,878)	-	$15.88	-	-	-
	63,714	1,636	(23,160)	29,592		(17,372)	-	54,410
Michael Moraza								
TSR share bank account	9,832	490	19,423	-	Various	(11,898)	(17,847)	-
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	17,108	852	(14,009)	-	Various	(1,976)	(1,975)	-
Notional grant 25-Sep-14	-	-	-	-	-	-	-	-
Notional grant 9-Oct-13	23,720	-	(23,720)	-	$15.88	-	-	-
	50,660	1,342	(18,306)	-		(13,874)	(19,822)	-
Alistair Preston								
TSR share bank account	-	-	-	-	-	-	-	-
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	-	-	-	-	-	-	-	-
	-	-	-	-		-	-	-
Brett Redman								
TSR share bank account	2,887	144	14,941	-	Various	(7,189)	-	10,783
Relative TSR share bank account	-	-	-	-	-	-	-	-
EBIT/Funds Employed share bank account	5,280	263	(4,324)	-	Various	(610)	-	609
Notional grant 25-Sep-14	-	-	-	26,144	$5.92	-	-	26,144
Notional grant 9-Oct-13	18,246	-	(18,246)	-	$15.88	-	-	-
	26,413	407	(7,629)	26,144		(7,799)	-	37,536

(a) Adjustment to the share bank balances for the dilution to unvested SPRs as at 1 July 2014 as a result of the one-for-five share rights issue in September 2014.

(b) After testing the SPRs notionally granted on 9 October 2013 against the relevant performance hurdle, the SPRs are deposited into (or deducted from) the relevant share bank account for each participant.

(c) Fair value of SPRs granted is determined using Monte Carlo Simulation.

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

(e) Anthony Fowler's role was made redundant on 1 July 2015.

Details of Fully Paid Ordinary Shares of AGL Energy Limited held by Key Management Personnel as at 30 June 2015

	Balance at 1 July 2014	AGL Share Purchase Plan (a)	Dividend Reinvestment Plan (b)	Received on vesting of SPRs	Net change other (c)	Balance at 30 June 2015	Balance held nominally
Non-executive Directors							
Jeremy Maycock	65,951	357	-	-	13,191	79,499	-
Les Hosking	2,334	-	-	-	467	2,801	-
Graeme Hunt	-	-	-	-	1,500	1,500	-
Belinda Hutchinson	7,630	-	-	-	1,526	9,156	-
Sandra McPhee	17,121	-	-	-	3,425	20,546	-
Bruce Phillips	33,834	-	-	-	6,767	40,601	-
John Stanhope	3,738	-	183	-	748	4,669	-
Executive Directors							-
Andrew Vesey (d)	-	73,000	-	-	-	73,000	-
Michael Fraser (e)	763,242	-	-	218,221	152,602	1,134,065	-
Executives							
Daniel Cram	9,441	1,578	-	-	47	11,066	-
Marc England	3,233	780	-	4,597	-	8,610	-
Anthony Fowler	-	-	-	15,366	-	15,366	-
Doug Jackson	1,038	2,424		1,379	25	4,866	-
Stephen Mikkelsen	38,904	-	-	17,372	(13,219)	43,057	-
Michael Moraza (f)	74,760	-	-	13,874	-	88,634	-
Alistair Preston	-	-	-	-	-	-	-
Brett Redman	11,264	-	-	7,799	(1,747)	17,316	-

(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 September 2014.

(d) Mr Vesey commenced employment with AGL on 12 January 2015 as Managing Director and Chief Executive Officer designate and was officially appointed MD and CEO from 12 February 2015. Under Mr Vesey's service agreement, he received an allocation of 73,000 AGL shares in recognition of incentives foregone from his previous employment.

(e) Mr Fraser retired effective 11 February 2015 and the number of shares represent those held at the date of leaving office.

(f) Mr Moraza retired effective 18 February 2015 and the number of shares represent those held at the date of leaving office.

Abbreviations used in this report

ATSR:	Absolute total shareholder return
Board:	AGL Board
CEO	Chief Executive Officer
Committee:	People and Performance Committee of the Board
Clawback:	A deduction made from participants' LTIP bank account balances as a result of underperformance
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 the CEO who are KMP
FR:	Fixed remuneration
LTI:	Long term incentive
Malus:	Forfeiture of unvested remuneration
RTSR:	Relative total shareholder return
SGC:	Superannuation guarantee charge
SPR:	Share performance right
STI:	Short term incentive
TSR:	Total shareholder return
VWAP:	Volume weighted average price

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 12th day of August 2015.

Jeremy Maycock
Chairman

AGL Financial Report 2015

AGL Energy Limited
ABN 74 115 061 375

AGL Financial Report 2015

Contents **Page**

AGL Energy Limited and controlled entities
Consolidated Statement of Profit or Loss
For the year ended 30 June 2015

	Note	**2015 $m**	2014 $m
Continuing operations			
Revenue	4	**10,678**	10,445
Expenses	5	**(9,759)**	(9,165)
Share of profits of associates and joint ventures	13	**27**	25
Profit before net financing costs, depreciation and amortisation		**946**	1,305
Depreciation and amortisation		**(379)**	(326)
Profit before net financing costs		**567**	979
Finance income		**20**	24
Finance costs		**(250)**	(243)
Net financing costs	6	**(230)**	(219)
Profit before tax		**337**	760
Income tax expense	7	**(119)**	(190)
Profit for the year		**218**	570
Profit attributable to:			
Owners of AGL Energy Limited		**218**	570
Non-controlling interests		**-**	-
		218	570
Earnings per share [a]			
Basic earnings per share	27	**33.3 cents**	98.2 cents
Diluted earnings per share	27	**33.3 cents**	98.2 cents

(a) The comparative earnings per share for the year ended 30 June 2014 have been restated for the bonus element of the one-for-five share rights issue undertaken in September 2014; refer Note 27 for further details.

The statement of profit or loss should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and controlled entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 $m	2014 $m
Profit for the year		**218**	570
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit plans	35	**135**	60
Income tax relating to items that will not be reclassified subsequently	7	**(40)**	(18)
		95	42
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Loss in fair value of cash flow hedges	25	**(22)**	(135)
Reclassification adjustments transferred to profit or loss	25	**94**	(6)
Share of other comprehensive income of a joint venture	25	**(14)**	-
Income tax relating to items that may be reclassified subsequently	7	**(22)**	42
		36	(99)
Other comprehensive income for the year, net of income tax		**131**	(57)
Total comprehensive income for the year		**349**	513
Total comprehensive income attributable to:			
Owners of AGL Energy Limited		**349**	513
Non-controlling interests		**-**	-
		349	513

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

AGL Energy Limited and controlled entities
Consolidated Statement of Financial Position
As at 30 June 2015

	Note	**2015** **$m**	2014 $m
Current assets			
Cash and cash equivalents	38	**259**	456
Trade and other receivables	9	**1,894**	1,902
Inventories	10	**396**	191
Other financial assets	11	**156**	114
Other assets	12	**262**	318
		2,967	2,981
Assets classified as held for sale	18	**492**	430
Total current assets		**3,459**	3,411
Non-current assets			
Trade and other receivables	9	**44**	46
Inventories	10	**32**	28
Other financial assets	11	**596**	484
Investments in associates and joint ventures	13	**91**	32
Exploration and evaluation assets	14	**130**	372
Oil and gas assets	15	**544**	170
Property, plant and equipment	16	**6,958**	5,694
Intangible assets	17	**3,266**	3,248
Deferred tax assets	7	**682**	631
Other assets	12	**31**	18
Total non-current assets		**12,374**	10,723
Total assets		**15,833**	14,134
Current liabilities			
Trade and other payables	19	**1,377**	1,417
Borrowings	20	**443**	45
Provisions	21	**191**	101
Current tax liabilities	7	**86**	49
Other financial liabilities	22	**269**	477
Other liabilities	23	**7**	-
		2,373	2,089
Liabilities directly associated with assets classified as held for sale	18	**-**	77
Total current liabilities		**2,373**	2,166
Non-current liabilities			
Borrowings	20	**3,439**	3,669
Provisions	21	**456**	106
Deferred tax liabilities	7	**-**	50
Other financial liabilities	22	**387**	280
Other liabilities	23	**363**	275
Total non-current liabilities		**4,645**	4,380
Total liabilities		**7,018**	6,546
Net assets		**8,815**	7,588
Equity			
Issued capital	24	**6,696**	5,437
Reserves	25	**(65)**	(99)
Retained earnings	26	**2,175**	2,249
Total equity attributable to owners of AGL Energy Limited		**8,806**	7,587
Non-controlling interests		**9**	1
Total equity		**8,815**	7,588

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

AGL Energy Limited and controlled entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

	Attributable to owners of AGL Energy Limited						
	Issued capital $m	Employee equity benefits reserve $m	Hedging reserve $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 July 2014	**5,437**	**5**	**(104)**	**2,249**	**7,587**	**1**	**7,588**
Profit for the year	**-**	**-**	**-**	**218**	**218**	**-**	**218**
Other comprehensive income for the year, net of income tax	**-**	**-**	**36**	**95**	**131**	**-**	**131**
Total comprehensive income for the year	**-**	**-**	**36**	**313**	**349**	**-**	**349**
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	**1,275**	**-**	**-**	**-**	**1,275**	**8**	**1,283**
Transaction costs relating to the issue of ordinary shares	**(22)**	**-**	**-**	**-**	**(22)**	**-**	**(22)**
Payment of dividends	**-**	**-**	**-**	**(387)**	**(387)**	**-**	**(387)**
Share-based payments	**-**	**(2)**	**-**	**-**	**(2)**	**-**	**(2)**
Income tax relating to transactions with owners	**6**	**-**	**-**	**-**	**6**	**-**	**6**
Balance at 30 June 2015	**6,696**	**3**	**(68)**	**2,175**	**8,806**	**9**	**8,815**
Balance at 1 July 2013	5,354	3	(5)	1,988	7,340	-	7,340
Profit for the year	-	-	-	570	570	-	570
Other comprehensive income for the year, net of income tax	-	-	(99)	42	(57)	-	(57)
Total comprehensive income for the year	-	-	(99)	612	513	-	513
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	83	-	-	-	83	1	84
Payment of dividends	-	-	-	(351)	(351)	-	(351)
Share-based payments	-	2	-	-	2	-	2
Balance at 30 June 2014	5,437	5	(104)	2,249	7,587	1	7,588

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

AGL Energy Limited and controlled entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2015

	Note	2015 $m	2014 $m
Cash flows from operating activities			
Receipts from customers		**11,587**	11,791
Payments to suppliers and employees		**(10,236)**	(10,733)
Dividends received		**32**	26
Finance income received		**24**	23
Finance costs paid		**(216)**	(217)
Income taxes paid		**(147)**	(191)
Net cash provided by operating activities	38(b)	**1,044**	699
Cash flows from investing activities			
Payments for property, plant and equipment		**(744)**	(624)
Payments for exploration and evaluation assets		**(34)**	(28)
Payments for oil and gas assets		**(28)**	(46)
Payments for investments in associates and joint ventures		**(80)**	-
Payments for intangible assets		**-**	(25)
Payments for businesses and subsidiaries, net of cash acquired			
acquisitions in current period	32	**(1,348)**	(79)
acquisitions in prior periods		**(32)**	(33)
Government grants received		**32**	190
Proceeds from sale of property, plant and equipment		**6**	2
Loans advanced to related parties		**(3)**	(126)
Proceeds from repayment of related party loans		**56**	-
Net cash used in investing activities		**(2,175)**	(769)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		**1,210**	1
Proceeds from issue of shares to non-controlling interests		**8**	1
Purchase of shares on-market for equity based remuneration		**(7)**	(6)
Proceeds from borrowings		**2,647**	2,075
Repayment of borrowings		**(2,580)**	(1,547)
Payments for settlement of derivative financial instruments		**(10)**	-
Dividends paid	8	**(344)**	(269)
Net cash provided by financing activities		**924**	255
Net (decrease)/increase in cash and cash equivalents		**(207)**	185
Cash and cash equivalents at the beginning of the financial year		**466**	281
Cash and cash equivalents at the end of the financial year	38(a)	**259**	466

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 controlled entities (together referred to as AGL). For the purposes of preparing the consolidated financial statements, the Parent Entity is a for-profit entity.

The principal activities of AGL are described in Note 3.

(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.

The consolidated financial statements were authorised for issue by the Directors on 12 August 2015.

(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 which is the functional and presentation currency of AGL, 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 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) Adoption of new and revised accounting standards

AGL has applied the required amendments to Standards and a new Interpretation that are relevant to its operations and effective for the current reporting period.

The application of the amendments to Standards and the new Interpretation do not have any material impact on the disclosures or on the amounts recognised in AGL's consolidated financial statements.

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

(d) Change in recognition of Distribution Use of System costs

AGL announced to the market on 22 January 2015, that it has changed the recognition of Distribution Use of System (DUOS) costs in South Australia and Queensland for the Energy Markets operating segment. This change has resulted in a grossing up of revenue and expenses in the consolidated statement of profit or loss and a grossing up of receivables and payables in the consolidated statement of financial position. Comparative information in the consolidated financial statements has been restated.

The following tables summarise the impact on individual line items in AGL's financial statements.

Consolidated statement of profit or loss (extract)	**As previously reported**	**DUOS restatement**	**As restated**
Year ended 30 June 2014	**$m**	**$m**	**$m**
Revenue	9,543	902	10,445
Expenses	(8,263)	(902)	(9,165)
Profit before tax	760	-	760
Profit for the year	570	-	570
Consolidated statement of financial position (extract)			
As at 30 June 2014			
Current assets			
Trade and other receivables	1,743	159	1,902
Total current assets	3,252	159	3,411
Total assets	13,975	159	14,134
Current liabilities			
Trade and other payables	1,258	159	1,417
Total current liabilities	2,007	159	2,166
Total liabilities	6,387	159	6,546
Net assets	7,588	-	7,588

(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 when the Parent Entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

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

(f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at fair value as are the identifiable net assets acquired. Acquisition-related costs are recognised in profit or loss as incurred except if related to the issue of debt or equity securities.

Any goodwill that arises is tested annually for impairment. Any gain in a bargain purchase is recognised in profit or loss immediately. Contingent consideration is measured at fair value at the acquisition date. Subsequent changes (after 12 months) in the fair value are recognised in profit or loss.

Where a business combination is achieved in stages, AGL's previously held interest in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date AGL attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

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

(g) Segment reporting

An operating segment is a component of AGL 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 AGL. Operating segments are identified on the basis of internal reports about components of AGL 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 equity accounted investees

AGL's interests in equity accounted investees comprise interests in associates and joint ventures. Associates are those entities in which AGL has significant influence, but not control, over the financial and operating policies of the entity. A joint venture is an arrangement in which AGL has joint control and AGL has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method, except when the investment is classified as held for sale, in which case the investment 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 joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise AGL's share of the profit or loss and other comprehensive income of the associates and joint ventures.

An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

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

(i) Joint operations

AGL has joint operations where the entity has joint control and direct rights to the assets, liabilities, revenues and expenses. This share has been recognised in accordance with the AASB's applicable to the particular assets, liabilities, revenues and expenses.

(j) Foreign currency transactions and balances

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

(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. The carrying amount represents fair 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.

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

(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 AGL 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.

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

(m) Inventories

Inventories are measured 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.

(n) Financial assets

Loans and receivables and all other financial assets are recognised on trade date.

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'. Derivatives are 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 consolidated statement of financial position.

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.

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 AGL transfers substantially all the risks and rewards of the financial assets.

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

(o) Green commodity scheme certificates

AGL participates in a number of renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. AGL 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 or the cost of generation of the certificate. Subsequent to initial recognition, they are stated at the lower of cost and net realisable value.

(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.

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.

(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 (in accordance with the criteria in AASB 6 Exploration for and Evaluation of Mineral Resources) and is initially measured at cost including 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 AGL's exploration and evaluation assets are reviewed at the end of each reporting period, in conjunction with the impairment review process 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

The costs of oil and gas assets 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 for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(s) Property, plant and equipment

Property, plant and equipment is measured 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 capitalised when it is probable that future economic benefits associated with the item will flow to AGL 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 is recognised in profit or loss.

Depreciation is calculated on a straight-line or units of use 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. Land is not depreciated.

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

(s) Property, plant and equipment (cont'd)

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.

AGL as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of AGL'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 AGL's net investment outstanding in respect of the leases.

AGL as lessee

Assets held under finance leases are initially recognised as assets of AGL 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 consolidated 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives received to enter into operating leases are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(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 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 less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of AGL's cash-generating units expected to benefit from the synergies of the combination, and tested for impairment at least annually.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an 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.

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

(u) Intangible assets (cont'd)

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, AGL 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, AGL 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.

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.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

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 AGL prior to the end of the reporting period that are unpaid and arise when AGL 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.

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

(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 AGL 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.

Changes in the net defined benefit liability, including all actuarial gains and losses that arise in calculating AGL's obligation in respect of the plan are recognised in other comprehensive income when they occur. All other expenses relating to the defined benefit plans are recognised as an expense in the profit or loss. Any defined benefit superannuation plan asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

(z) Share-based payments

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.

At the end of each reporting period, AGL 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 AGL has a present obligation (legal or constructive) as a result of a past event, it is probable that AGL 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 is recognised in profit or loss as part of finance costs.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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

(aa) Provisions (cont'd)

Environmental restoration

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 AGL 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. Future operating losses are not provided for.

(ab) Derivative financial instruments and hedging

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

Derivatives are recognised at fair value. The gain or loss on subsequent remeasurement 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.

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 AGL 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.

Hedge accounting is discontinued when AGL 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.

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

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

Derivatives that do not qualify for hedge accounting - economic hedges

AGL 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 consolidated statement of financial position as economic hedges. Changes in the fair value are recognised immediately in profit or loss.

(ac) Government grants

Government grants are recognised when there is reasonable assurance that AGL will comply with the conditions attaching to the grant and the grant will be received. Government grants which require AGL to construct an asset are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systemic basis over the useful life of the related assets.

(ad) Issued capital

Ordinary shares are classified as equity. Ordinary shares issued by AGL 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 AGL 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 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.

Dividend income is recognised when AGL'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, are added to the cost of those assets.

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.

(ag) 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 and any adjustment to tax payable in respect of prior years. AGL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

(ag) Income tax (cont'd)

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 is 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 reflects the tax consequences that would follow from the manner in which AGL 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 only under the criteria of AASB 112 *Income Taxes.*

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 recognised outside profit or loss (whether in other comprehensive income or directly in equity) or a 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.

On 23 July 2012, AGL Generation Holdco Pty Ltd, a subsidiary 99.99% owned by AGL, and AGL Generation Pty Ltd elected to form a new tax-consolidated group with Loy Yang Marketing Holdings Pty Limited and its wholly-owned subsidiary, in addition to the existing group. On 27 July 2012, Great Energy Alliance Corporation Pty Limited (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.

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).

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

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

(ah) Standards and Interpretations in issue not yet adopted

A number of Australian Accounting Standards have been issued by the AASB but are not effective for the year ended 30 June 2015. AGL's assessment of the expected impact of these Standards is set out below.

AASB 9 *Financial Instruments* and the relevant amending standards are effective for annual reporting periods beginning on or after 1 January 2018.

AASB 9 is a new Standard which will replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, and carries over the existing derecognition requirements from AASB 139.

A new hedge accounting model has been put in place that is designed to be more aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. AASB 9 also introduces a new expected loss impairment model that will require more timely recognition of expected credit losses.

AASB 9 will be mandatory for AGL's 30 June 2019 financial statements. AGL is currently assessing the potential impact of this Standard.

AASB 15 *Revenue from Contracts with Customers* and **AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*** are effective for annual reporting periods beginning on or after 1 January 2017.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will replace AASB 118 *Revenue,* AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 15 will be mandatory for AGL's 30 June 2018 financial statements. AGL is currently assessing the potential impact of this Standard.

In addition to the above Standards which are applicable in future years, other issued amendments and new Standards are not expected to materially impact AGL's financial statements upon adoption.

Note 2 - Significant accounting judgements, estimates and assumptions

In the application of AGL'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.

Unbilled revenue

AGL 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.

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 AGL 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.

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

Impairment of goodwill and other intangibles with indefinite useful lives

AGL 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.

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.

Exploration and evaluation expenditure

AGL'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.

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 39 for further details.

Provision for environmental restoration

AGL 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.

Provision for onerous contracts

AGL's policy for onerous contracts is stated in Note 1(aa). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances in relation to costs to meet contractual obligations.

Defined benefit superannuation plans

Various actuarial assumptions are utilised in the determination of AGL's defined benefit obligations. These assumptions and the related carrying amounts are discussed in Note 35.

Unbilled distribution costs

AGL recognises distribution costs once the gas and electricity has been delivered to the customer and is measured through a regular review of usage meters. Suppliers invoice AGL on a periodic basis dependent on trading terms. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining distribution costs for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

Note 3 - Segment information

Operating segments

AGL reports segment information on the same basis as the internal management reporting structure. 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.

On 29 July 2015, AGL announced that it has changed the basis for segment reporting to align it with the organisational structure announced on 16 April 2015 and the subsequent review and restructure of the Upstream Gas business.

The previous operating segments were: Retail Energy, Merchant Energy, Upstream Gas and Investments.

AGL now has four reportable operating segments as follows:

• **Energy Markets** comprises three business units: Wholesale Markets, Consumer Market and Business Customers. It is responsible for managing the risks associated with satisfying the gas and electricity requirements of AGL's wholesale, consumer and business portfolios. It also sells natural gas, electricity and energy related products and services to Consumer Market and Business Customers, currently servicing over 3.7 million customer accounts.

• **Group Operations** is a diverse power generation portfolio, spread across traditional thermal generation, natural gas (formerly Upstream Gas) and renewable sources including hydro, wind and solar.

• **New Energy** was formed in 2014 to drive AGL's capabilities in taking new and distributed technologies to market in Australia. The business unit comprises Residential Energy Services, Business Energy Services, Distributed Energy Services, and the newly established Digital Metering business, ActiveStream.

• **Investments** include equity accounted investments in the ActewAGL Retail Partnership and Diamantina Holding Company Pty Limited.

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 segment.

Segment comparative information has been restated to reflect the changes described above.

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 AGL. 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.

Note 3 - Segment information (cont'd)

	Energy Markets $m	Group Operations $m	New Energy $m	Investments $m	Other $m	Total $m
2015						
Revenue						
Total segment revenue	**10,463**	**160**	**116**	**-**	**-**	**10,739**
Inter-segment revenue	**(18)**	**(24)**	**(19)**	**-**	**-**	**(61)**
External revenue	**10,445**	**136**	**97**	**-**	**-**	**10,678**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,152**	**(475)**	**13**	**26**	**(211)**	**1,505**
Depreciation and amortisation	**(89)**	**(254)**	**(11)**	**-**	**(25)**	**(379)**
Operating EBIT	**2,063**	**(729)**	**2**	**26**	**(236)**	**1,126**
Net financing costs						**(234)**
Underlying profit before income tax						**892**
Income tax expense						**(262)**
Underlying profit						**630**
Segment assets	**5,088**	**8,708**	**164**	**159**	**117**	**14,236**
Segment liabilities	**1,424**	**828**	**24**	**-**	**118**	**2,394**
Other segment information						
Share of profits of associates and joint ventures	**-**	**-**	**-**	**27**	**-**	**27**
Investments in associates and joint ventures	**-**	**2**	**6**	**83**	**-**	**91**
Additions to non-current assets	**89**	**2,107**	**28**	**77**	**16**	**2,317**
Other non-cash expenses	**(83)**	**-**	**-**	**-**	**(5)**	**(88)**
Gain in fair value of financial instruments	**234**	**1**	**-**	**-**	**2**	**237**
Significant expense items (a)	**(359)**	**(401)**	**-**	**-**	**(32)**	**(792)**

(a) Further details are contained in the Operating and Financial Review attached to and forming part of the Directors' Report.

Note 3 - Segment information (cont'd)

	Energy Markets $m	Group Operations $m	New Energy $m	Investments $m	Other $m	Total $m
2014						
Revenue						
Total segment revenue	10,231	162	133	-	-	10,526
Inter-segment revenue	(36)	(25)	(20)	-	-	(81)
External revenue	10,195	137	113	-	-	10,445
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,727	(286)	30	23	(164)	1,330
Depreciation and amortisation	(108)	(187)	(9)	-	(22)	(326)
Operating EBIT	1,619	(473)	21	23	(186)	1,004
Net financing costs						(223)
Underlying profit before income tax						781
Income tax expense						(219)
Underlying profit						562
Segment assets	5,072	7,044	190	154	123	12,583
Segment liabilities	1,242	631	8	-	95	1,976
Other segment information						
Share of profits of associates and joint ventures	-	1	-	24	-	25
Investments in associates and joint ventures	-	4	-	28	-	32
Additions to non-current assets	263	588	18	126	32	1,027
Other non-cash expenses	(69)	-	-	-	(7)	(76)
Gain/(loss) in fair value of financial instruments	33	9	-	-	(2)	40
Significant expense items	(49)	-	-	-	(12)	(61)

Note 3 - Segment information (cont'd)

	2015 $m	2014 $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	**10,739**	10,526
Elimination of inter-segment revenue	**(61)**	(81)
Total revenue for reportable segments	**10,678**	10,445
Other	**-**	-
Total revenue	**10,678**	10,445
Revenue from major products and services		
The following is an analysis of AGL's revenue from its major products and services:		
Electricity	**6,175**	6,583
Gas	**2,755**	2,351
Generation sales to pool	**1,438**	1,178
Other goods and services	**310**	333
Total revenue	**10,678**	10,445
Segment Operating EBIT reconciliation to the statement of profit or loss		
Reconciliation of segment Operating EBIT to profit before tax is as follows:		
Operating EBIT for reportable segments	**1,362**	1,190
Other	**(236)**	(186)
	1,126	1,004
Amounts excluded from underlying results:		
- gain in fair value of financial instruments	**237**	40
- significant expense items	**(792)**	(61)
Finance income included in Operating EBIT	**(4)**	(4)
Finance income	**20**	24
Finance costs	**(250)**	(243)
Profit before tax	**337**	760

Note 3 - Segment information (cont'd)

	2015	2014
	$m	$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	**14,119**	12,460
Other	**117**	123
	14,236	12,583
Cash and cash equivalents	**259**	456
Cash and cash equivalents included in disposal groups held for sale	**-**	10
Deferred tax assets	**682**	631
Derivative financial instruments	**656**	454
Total assets	**15,833**	14,134
Segment liabilities reconciliation to the statement of financial position		
Reconciliation of segment liabilities to total liabilities is as follows:		
Segment liabilities for reportable segments	**2,276**	1,881
Other	**118**	95
	2,394	1,976
Borrowings	**3,882**	3,714
Current tax liabilities	**86**	49
Deferred tax liabilities	**-**	50
Derivative financial instruments	**252**	515
Deferred consideration and other contractual liabilities	**404**	242
Total liabilities	**7,018**	6,546

Geographical information

AGL operates in one principal geographical area – Australia. All non-current assets and total external revenue from customers is attributed to Australia.

Information about major customers

No single customer amounts to 10% or more of AGL’s total external revenue (2014: none).

Note 4 - Revenue

	Note	2015 $m	2014 $m
Revenue from sale of goods		**10,533**	10,308
Revenue from rendering of services		**145**	137
		10,678	10,445

Note 5 - Expenses

	Note	2015 $m	2014 $m
Cost of sales		**7,856**	8,129
Administrative expenses		**241**	209
Employee benefits expense		**546**	428
Other expenses			
Gain in fair value of financial instruments		**(237)**	(40)
Impairment loss on trade receivables (net of bad debts recovered)		**83**	69
Impairment loss on exploration and evaluation assets	14	**275**	-
Impairment loss on oil and gas assets		**18**	-
Impairment loss on intangible assets	17	**40**	-
Impairment loss on investment in an associate		**2**	-
Impairment loss on remeasurement of disposal group		**7**	-
Onerous contracts expense	21	**262**	-
Cumulative loss reclassified from equity on acquisition of a business		**37**	-
Acquisition and integration costs		**115**	61
Restructuring and other costs		**25**	-
Net loss on disposal of property, plant and equipment		**20**	9
Operating lease rental expenses		**21**	21
Other		**448**	279
		9,759	9,165

Note 6 - Net financing costs

	Note	2015 $m	2014 $m
Finance income			
Interest income			
Joint ventures		**5**	-
Other entities		**15**	24
		20	24
Finance costs			
Interest expense			
Other entities		**223**	208
Finance costs capitalised		**(24)**	(15)
Unwinding of discounts on provisions and other liabilities		**17**	14
Unwinding of discount on deferred consideration		**26**	27
Other finance costs		**8**	9
		250	243
Net financing costs		**230**	219

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 5.65% (2014: 6.43%).

	2015 $m	2014 $m
Note 7 - Income tax		
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	**115**	47
Adjustments in relation to current tax of prior years due to a change in income tax treatment of Southern Hydro assets	**-**	(15)
Adjustments in relation to current tax of prior years	**(12)**	(23)
Deferred tax		
Relating to the origination and reversal of temporary differences	**16**	190
Effect on deferred tax balances due to the change in income tax treatment of Southern Hydro assets	**-**	(9)
Total income tax expense	**119**	190
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	**337**	760
Income tax expense calculated at the Australian tax rate of 30% (2014: 30%)	**101**	228
Impairment loss on intangible assets	**12**	-
Non-deductible expenses	**16**	9
Share of profits of associates and joint ventures	**2**	-
Adjustments in relation to current tax of prior years due to a change in income tax treatment of Southern Hydro assets	**-**	(15)
Effect on deferred tax balances due to the change in income tax treatment of Southern Hydro assets	**-**	(9)
Adjustments in relation to current tax of prior years	**(12)**	(23)
	119	190
Income tax recognised directly in equity		
Deferred tax		
Share issue transaction costs	**(6)**	-
	(6)	-
Income tax recognised in other comprehensive income		
Deferred tax		
Cash flow hedges	**22**	(42)
Remeasurement gain on defined benefit plans	**40**	18
	62	(24)
Current tax liabilities		
Income tax payable	**86**	49

	2015 $m	2014 $m
Note 7 - Income tax (cont'd)		
Deferred income tax recognised in the statement of profit or loss		
Temporary differences		
Allowance for doubtful debts	**(4)**	15
Exploration and evaluation assets	**(72)**	7
Oil and gas assets	**6**	5
Property, plant and equipment	**54**	84
Payables and accruals	**43**	(2)
Provisions	**(83)**	34
Derivative financial instruments	**77**	55
Other	**(5)**	(8)
	16	190

	2015 $m	2014 $m
Deferred tax balances		
Deferred tax assets/(liabilities) arise from the following:		
Allowance for doubtful debts	**28**	25
Exploration and evaluation assets	**(38)**	(110)
Oil and gas assets	**(22)**	(19)
Property, plant and equipment	**(464)**	(344)
Intangible assets	**(13)**	(16)
Defined benefit superannuation plans	**11**	20
Payables and accruals	**19**	59
Provisions	**209**	64
Derivative financial instruments	**74**	118
Tax losses	**858**	774
Other	**20**	10
Net deferred tax assets	**682**	581
Recognised in the statement of financial position as follows:		
Deferred tax assets	**682**	631
Deferred tax liabilities	**-**	(50)
Net deferred tax assets	**682**	581
Unrecognised deferred tax assets		
Deductible temporary differences	**91**	84

	2015 **$m**	2014 $m
Note 8 - Dividends		
Recognised amounts		
Final dividend		
Final dividend for 2014 of 33.0 cents per share, fully franked at 30%, paid 30 September 2014 (2014: Final dividend for 2013 of 33.0 cents per share, fully franked at 30%, paid 27 September 2013)	**185**	183
Interim dividend		
Interim dividend for 2015 of 30.0 cents per share, fully franked at 30%, paid 25 March 2015 (2014: Interim dividend for 2014 of 30.0 cents per share, fully franked, paid 4 April 2014)	**202**	168
Total dividends	**387**	351
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan	**(43)**	(82)
Dividends paid as per the statement of cash flows	**344**	269
Unrecognised amounts		
Since the end of the financial year, the Directors have declared a final dividend for 2015 of 34.0 cents per share, fully franked at 30%, (2014: 33.0 cents fully franked), payable 24 September 2015.	**229**	185

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 2016 financial year.

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will be in operation. No discount will apply to shares allocated under the DRP. Shares will be allocated to plan participants at the volume weighted average price at which AGL shares trade during each of the 10 trading days commencing on 31 August 2015. The last date for shareholders to elect to participate in the DRP for the FY15 final dividend is 28 August 2015.

Dividend franking account		
Adjusted franking account balance	**57**	35
Impact on franking account balance of dividends proposed after the reporting date but not recognised as a liability	**(98)**	(79)

	2015 $m	2014 $m
Note 9 - Trade and other receivables		
Current		
Trade receivables	**816**	756
Allowance for doubtful debts	**(95)**	(82)
	721	674
Unbilled revenue	**1,118**	1,157
Other receivables	**55**	71
	1,894	1,902

Allowance for doubtful debts

Movements in the allowance for doubtful debts are detailed below:

	2015 $m	2014 $m
Balance at beginning of financial year	**82**	70
Impairment losses recognised on receivables	**99**	86
Amounts written off as uncollectible	**(86)**	(74)
Balance at end of financial year	**95**	82

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

	2015		2014	
	Total $m	**Allowance $m**	Total $m	Allowance $m
Not past due	**498**	**(8)**	505	(12)
Past due 31 - 60 days	**63**	**(9)**	61	(12)
Past due 61 - 90 days	**57**	**(8)**	35	(8)
Past 90 days	**198**	**(70)**	155	(50)
	816	**(95)**	756	(82)

AGL'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.

At the end of the reporting period, trade receivables with a carrying amount of $231 million (2014: $181 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.

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.

	2015 $m	2014 $m
Note 9 - Trade and other receivables (cont'd)		
Non-current		
Finance lease receivables	**44**	46

AGL 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	
	2015	2014	**2015**	2014
Finance lease receivables	**$m**	$m	**$m**	$m
Not later than one year	**5**	5	**2**	1
Later than one year and not later than five years	**20**	20	**8**	7
Later than five years	**52**	57	**36**	39
	77	82	**46**	47
Less unearned finance income	**(31)**	(35)	**-**	-
Present value of minimum lease payments receivable	**46**	47	**46**	47
Included in the financial statements as:				
Current finance lease receivables			**2**	1
Non-current finance lease receivables			**44**	46
			46	47

	2015 $m	2014 $m
Note 10 - Inventories		
Current		
Raw materials and stores - at cost	**167**	48
Finished goods - at cost	**229**	143
	396	191
Non-current		
Raw materials and stores - at cost	**32**	28
	32	28

	2015 $m	2014 $m
Note 11 - Other financial assets		
Current		
Derivative financial instruments - at fair value		
- Cross currency swap contracts - cash flow and fair value hedges	**3**	-
- Interest rate swap contracts - cash flow hedges	**2**	1
- Energy derivatives - cash flow hedges	**9**	3
- Energy derivatives - economic hedges	**119**	92
	133	96
Futures deposits and margin calls	**23**	18
	156	114
Non-current		
Derivative financial instruments - at fair value		
- Cross currency swap contracts - cash flow and fair value hedges	**71**	-
- Interest rate swap contracts - cash flow hedges	**5**	5
- Energy derivatives - cash flow hedges	**2**	-
- Energy derivatives - economic hedges	**445**	353
	523	358
Loans to joint ventures - at amortised cost	**73**	126
	596	484

For terms and conditions relating to loans to joint ventures, refer to Note 37.

Note 12 - Other assets

	2015 $m	2014 $m
Current		
Green commodities scheme certificates and instruments	**222**	286
Prepayments	**40**	32
	262	318
Non-current		
Prepayments	**11**	14
Defined benefit superannuation plan asset	**20**	-
Generation dispatch agreements	**-**	4
	31	18

Note 13 - Investments in associates and joint ventures

	2015 $m	2014 $m
Investments in joint ventures - unlisted	**85**	30
Investments in associates - unlisted	**6**	2
	91	32

Reconciliation of movements in investments in associates and joint ventures

	2015 $m	2014 $m
Balance at beginning of financial year	**32**	33
Additions	**80**	-
Impairment loss recognised in profit or loss	**(2)**	-
Share of profits after income tax	**27**	25
Share of other comprehensive income	**(14)**	-
Dividends received	**(32)**	(26)
Balance at end of financial year	**91**	32

Name of entity	Principal activities	Ownership interest 2015 %	Ownership interest 2014 %	Carrying value 2015 $m	Carrying value 2014 $m
Associates					
CSM Energy Limited	Coal mine methane gas extraction	**35**	35	**-**	2
Greenbox Group Ltd	Energy management services	**40**	-	**5**	-
Solar Analytics Pty Ltd	Solar PV monitoring	**19.9**	-	**1**	-
Joint ventures					
ActewAGL Retail Partnership	Energy and water services	**50**	50	**28**	28
Diamantina Holding Company Pty Limited	Electricity generation	**50**	50	**55**	-
Energy Infrastructure Management Pty Ltd	Pipeline management services	**50**	50	**2**	2
Central Queensland Pipeline Pty Ltd	Gas pipeline development	**50**	50	**-**	-
				91	32

All the above entities are incorporated in Australia.

	2015 $m	2014 $m
Aggregate information of joint ventures that are not individually material		
Current assets	**245**	259
Non-current assets	**764**	705
Total assets	**1,009**	964
Current liabilities	**213**	222
Non-current liabilities	**623**	693
Total liabilities	**836**	915
Net assets	**173**	49
Revenue	**894**	839
Expenses	**(839)**	(791)
AGL's share of joint ventures' profit	**27**	25

Dividends received from joint ventures

During the year, AGL received dividends of $32 million (2014: $26 million) from its joint ventures.

Capital commitments and contingent liabilities

AGL's share of capital expenditure commitments and contingent liabilities of associates and joint ventures are disclosed in Notes 28 and 29 respectively.

Note 14 - Exploration and evaluation assets

	2015 $m	2014 $m
Balance at beginning of financial year	**372**	349
Additions	**34**	28
Reclassified as held for sale	**(1)**	(5)
Impairment loss recognised in profit or loss	**(275)**	-
Balance at end of financial year	**130**	372
Cost (gross carrying amount)	**703**	670
Accumulated impairment	**(573)**	(298)
Net carrying amount	**130**	372

Impairment loss

The recoverable amounts of AGL's upstream gas assets were formerly reassessed as part of the Upstream Gas Review. The review led to the recognition of an impairment loss of $275 million in the Group Operations operating segment in respect of the Gloucester Gas Project.

The recoverable amount of the Gloucester Gas Project has been determined using a value in use model. The key assumptions in the calculation of the value in use are gas prices, production timing, gas volumes and development costs. The pre-tax discount rate used in measuring value in use was 13.4%.

If gas prices had been A$1 per gigajoule lower and all other variables were held constant, an additional impairment loss of $104 million before tax would have been recognised.

If the pre-tax discount rate had been 1% higher and all other variables were held constant, an additional impairment loss of $63 million before tax would have been recognised.

Note 15 - Oil and gas assets

Producing assets

	2015 $m	2014 $m
Balance at beginning of financial year	**170**	495
Additions	**33**	54
Reclassified from/(as) held for sale	**365**	(366)
Depreciation and amortisation expense	**(6)**	(13)
Impairment loss recognised in profit or loss	**(18)**	-
Balance at end of financial year	**544**	170
Cost (gross carrying amount)	**721**	249
Accumulated depreciation, amortisation and impairment	**(177)**	(79)
Net carrying amount	**544**	170

	Freehold land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Note 16 - Property, plant and equipment				
Year ended 30 June 2015				
Balance at 1 July 2014, net of accumulated depreciation and impairment	**75**	**8**	**5,611**	**5,694**
Additions	**-**	**-**	**766**	**766**
Acquisitions through business combinations	**30**	**-**	**1,325**	**1,355**
Disposals	**(1)**	**-**	**(25)**	**(26)**
Reclassified as held for sale	**-**	**-**	**(491)**	**(491)**
Depreciation expense	**-**	**(3)**	**(337)**	**(340)**
Balance at 30 June 2015, net of accumulated depreciation and impairment	**104**	**5**	**6,849**	**6,958**
Balance at 1 July 2014				
Cost (gross carrying amount)	**93**	**32**	**6,795**	**6,920**
Accumulated depreciation and impairment	**(18)**	**(24)**	**(1,184)**	**(1,226)**
Net carrying amount	**75**	**8**	**5,611**	**5,694**
Balance at 30 June 2015				
Cost (gross carrying amount)	**121**	**32**	**8,285**	**8,438**
Accumulated depreciation and impairment	**(17)**	**(27)**	**(1,436)**	**(1,480)**
Net carrying amount	**104**	**5**	**6,849**	**6,958**
Year ended 30 June 2014				
Balance at 1 July 2013, net of accumulated depreciation and impairment	75	13	5,244	5,332
Additions	1	1	625	627
Disposals	-	-	(11)	(11)
Depreciation expense	(1)	(6)	(247)	(254)
Balance at 30 June 2014, net of accumulated depreciation and impairment	75	8	5,611	5,694
Balance at 1 July 2013				
Cost (gross carrying amount)	92	31	6,188	6,311
Accumulated depreciation and impairment	(17)	(18)	(944)	(979)
Net carrying amount	75	13	5,244	5,332
Balance at 30 June 2014				
Cost (gross carrying amount)	93	32	6,795	6,920
Accumulated depreciation and impairment	(18)	(24)	(1,184)	(1,226)
Net carrying amount	75	8	5,611	5,694

Leased plant and equipment

The net carrying amount of plant and equipment disclosed above includes plant and equipment held under finance leases of $128 million (2014: $130 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 $1,292 million (2014: $827 million).

Software

The net carrying amount of plant and equipment disclosed above includes software of $130 million (2014: $168 million).

Note 17 - Intangible assets

	Goodwill $m	Licences $m	Customer relationships and contracts $m	Other $m	Total $m
Year ended 30 June 2015					
Balance at 1 July 2014, net of accumulated amortisation and impairments	**2,758**	**301**	**162**	**27**	**3,248**
Acquisitions through business combinations	**34**	**10**	**3**	**-**	**47**
Reclassified from held for sale	**-**	**-**	**40**	**-**	**40**
Amortisation expense	**-**	**-**	**(29)**	**-**	**(29)**
Impairment loss recognised in profit or loss	**-**	**-**	**(40)**	**-**	**(40)**
Balance at 30 June 2015, net of accumulated amortisation and impairment	**2,792**	**311**	**136**	**27**	**3,266**
Balance at 1 July 2014					
Cost (gross carrying amount)	**2,758**	**301**	**359**	**46**	**3,464**
Accumulated amortisation and impairment	**-**	**-**	**(197)**	**(19)**	**(216)**
Net carrying amount	**2,758**	**301**	**162**	**27**	**3,248**
Balance at 30 June 2015					
Cost (gross carrying amount)	**2,792**	**311**	**426**	**46**	**3,575**
Accumulated amortisation and impairment	**-**	**-**	**(290)**	**(19)**	**(309)**
Net carrying amount	**2,792**	**311**	**136**	**27**	**3,266**
Year ended 30 June 2014					
Balance at 1 July 2013, net of accumulated amortisation and impairments	2,640	301	182	27	3,150
Additions	-	-	25	-	25
Acquisitions through business combinations	118	-	49	-	167
Reclassified as held for sale	-	-	(40)	-	(40)
Amortisation expense	-	-	(54)	-	(54)
Balance at 30 June 2014, net of accumulated amortisation and impairment	2,758	301	162	27	3,248
Balance at 1 July 2013					
Cost (gross carrying amount)	2,640	301	349	46	3,336
Accumulated amortisation and impairment	-	-	(167)	(19)	(186)
Net carrying amount	2,640	301	182	27	3,150
Balance at 30 June 2014					
Cost (gross carrying amount)	2,758	301	359	46	3,464
Accumulated amortisation and impairment	-	-	(197)	(19)	(216)
Net carrying amount	2,758	301	162	27	3,248

Note 17 - Intangible assets (cont'd)

Impairment loss

The recoverable amounts of AGL's upstream gas assets were formerly reassessed as part of the Upstream Gas Review. The review led to the recognition of an impairment loss of $35 million in the Energy Markets and $5 million in the Group Operations operating segments in respect of the North Queensland Energy business intangible assets. The impairment loss of $40 million has been recorded against customer relationships and contracts intangible assets. The carrying amount of these intangible assets (2014: $40 million) has been impaired to $nil.

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 AGL'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 2015			
Cash-generating unit			
Energy Markets	**2,239**	**-**	**2,239**
Group Operations	**536**	**311**	**847**
New Energy	**17**	**-**	**17**
	2,792	**311**	**3,103**
Year ended 30 June 2014			
Cash-generating unit			
Energy Markets	2,205	-	2,205
Group Operations	536	301	837
New Energy	17	-	17
	2,758	301	3,059

The licences to operate hydro-electric power stations and water licences within the Group Operations 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 Energy Markets and Group Operations

The recoverable amounts for the Energy Markets and Group Operations CGUs have been determined using value in use models including an appropriate terminal value. The key assumptions in the calculation of value in use are customer numbers, consumption volumes, energy procurement costs, regulatory outcomes and pricing in unregulated markets.

The estimate of regulatory outcomes is based on actual regulatory decisions for the current price reset period, which are publicly available, together with AGL's expectations of regulatory decisions beyond the current reset period and market prices in unregulated markets. 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.

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, except for sustaining capital expenditure for Group Operations which is averaged across the five year period, and then capitalised in perpetuity adjusted for inflation of 2.5% for Energy Markets and 2.5% - 3.86% for Group Operations. Discount rates used are the pre-tax weighted average cost of capital of 13.4% (2014: 13.4%).

No impairment loss has been recognised for the Energy Markets or the Group Operations CGUs for the year ended 30 June 2015 (2014: $nil).

	2015 $m	2014 $m
Note 18 - Assets classified as held for sale		
Assets of disposal groups held for sale	**492**	430
Liabilities directly associated with assets classified as held for sale	**-**	77

Disposal groups held for sale

Macarthur Wind Farm joint venture

In April 2015, the Directors approved a plan to dispose of AGL's 50% interest in the Macarthur Wind Farm (MWF) joint venture. AGL is actively seeking a buyer for MWF and expects to complete the sale by December 2015. No impairment loss was recognised on reclassification of the assets as held for sale nor at the end of the reporting period. MWF is reported in the Group Operations segment.

Cooper Oil Project (ATP1056P) joint venture operation (Other)

An expected loss on sale of the Cooper Oil Project joint venture operation of approximately $7 million has been identified during the sale process and has been included as an impairment charge for the year ended 30 June 2015.

Moranbah Gas Project and North Queensland Energy joint operations

In January 2014, the Directors approved a plan to dispose of AGL's 50% interests in the Moranbah Gas Project (MGP) and North Queensland Energy (NQE) joint operations. The MGP/NQE joint operations have been de-designated as held for sale as at 30 June 2015 as the sale process has not identified a buyer. Despite this change in classification the sale process for the assets is ongoing.

The major classes of assets and liabilities of the disposal groups held for sale at the end of the reporting period are as follows:

	MWF $m	**Other $m**	**2015 $m**
Assets of disposal groups held for sale			
Exploration and evaluation assets	**-**	**1**	**1**
Property, plant and equipment	**491**	**-**	**491**
	491	**1**	**492**

	MGP/NQE $m	Other $m	2014 $m
Assets of disposal groups held for sale			
Cash and cash equivalents	9	1	10
Trade and other receivables	8	1	9
Exploration and evaluation assets	-	5	5
Oil and gas assets	365	1	366
Intangible assets	40	-	40
	422	8	430
Liabilities directly associated with assets classified as held for sale			
Trade and other payables	21	1	22
Provisions	37	-	37
Other liabilities	18	-	18
	76	1	77
Net assets classified as held for sale	346	7	353

	2015	2014
	$m	$m

Note 19 - Trade and other payables

	2015 $m	2014 $m
Current		
Trade payables and accrued expenses	**669**	634
Unbilled distribution costs	**536**	471
Green commodity scheme obligations	**150**	160
Carbon emissions liability	**-**	139
Other	**22**	13
	1,377	1,417

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

Note 20 - Borrowings

	2015 $m	2014 $m
Current - at amortised cost		
Bank loans - secured	**331**	34
Bank loans - unsecured	**100**	-
Other loans - unsecured	**11**	11
Finance lease liabilities - secured	**1**	-
	443	45
Non-current - at amortised cost		
USD senior notes - unsecured	**421**	339
Subordinated notes - unsecured	**650**	650
Medium term notes - unsecured	**597**	-
Bank loans - secured	**167**	1,255
Bank loans - unsecured	**1,440**	1,250
Other loans - unsecured	**167**	178
Finance lease liabilities - secured	**17**	16
Deferred borrowing costs	**(20)**	(19)
	3,439	3,669

Financing facilities

AGL has access to the following committed bank facilities:

	Total facilities		**Amounts used**	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
USD senior notes - unsecured (after effect of cross currency swaps)	**338**	338	**338**	338
Subordinated notes - unsecured	**650**	650	**650**	650
Medium term notes - unsecured	**597**	-	**597**	-
Bank loans - secured	**498**	1,289	**498**	1,289
Bank loans - unsecured	**1,760**	1,250	**1,540**	1,250
Other loans - unsecured	**178**	189	**178**	189
Bank guarantees - unsecured	**395**	615	**244**	293
	4,416	4,331	**4,045**	4,009

Note 20 - Borrowings (cont'd)

USD senior notes

On 8 September 2010, AGL issued US$300 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 million and US$135 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$300 million, the notes were converted back to A$338 million through cross currency interest rate swaps.

Subordinated notes

On 4 April 2012, AGL issued $650 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.

Medium term notes

On 5 November 2014, AGL issued A$600 million of senior unsecured, seven year fixed rate medium term notes. The notes were issued at a spread of swap plus 170 basis points, equating to a 5% coupon.

The funds were used to repay the $350 million Macquarie Generation debt bridge facility and to partially pre-pay the Loy Yang A senior debt facility due to mature in November 2015.

Bank loans - secured

At 30 June 2015, AGL had $498 million of secured bank debt from the acquisition of Great Energy Alliance Corporation Pty Limited on 29 June 2012. This amount comprises an amortising facility with a maturity in November 2015 and the CPI bonds in May 2027.

Bank loans - unsecured

On 14 February 2014, AGL executed an amendment to its syndicated loan facility to add a $650 million four year term facility. As at 30 June 2015, the facility was fully utilised.

On 4 June 2014, AGL executed a further amendment to the syndicated loan facility to increase the revolving facility to $450 million and to extend the facility until June 2017. As at 30 June 2015, $300 million of the facility had been used.

On 18 December 2014, AGL extended a $150 million revolving facility for a further two years until December 2018. As at 30 June 2015, $80 million of the facility had been used.

On 4 February 2015, AGL executed a $410 million 6.5-year debt facility with a group of Asian banks. The funds were used to partially pre-pay the Loy Yang A senior debt facility due to mature in November 2015. As at 30 June 2015, the facility was fully utilised.

On 7 April 2015, AGL executed a $100 million 9-month debt facility. The funds were used for the buy-back of CPI bonds issued by Loy Yang A and general corporate purposes. As at 30 June 2015, the facility was fully utilised.

Other loans

On 5 July 2011, AGL entered into a $200 million loan facility with EKF, the Danish export credit agency. The funds were used to partially fund the AGL's 50% interest in the construction of the Macarthur Wind Farm. Amortising over 18 years, the loan matures in 2031. As at 30 June 2015, the facility was fully utilised.

	2015 **$m**	2014 $m
Note 21 - Provisions		
Current		
Employee benefits	**154**	85
Environmental restoration	**3**	2
Onerous contracts	**34**	14
	191	101
Non-current		
Employee benefits	**32**	33
Environmental restoration	**184**	62
Onerous contracts	**240**	11
	456	106

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

	Environmental restoration $m	**Onerous contracts $m**	**Total $m**
Year ended 30 June 2015			
Balance at beginning of financial year	**64**	**25**	**89**
Additional provisions recognised	**-**	**262**	**262**
Acquisitions through business combinations	**70**	**-**	**70**
Provisions utilised	**(4)**	**(16)**	**(20)**
Remeasurement debited to non-current assets	**8**	**-**	**8**
Liability transferred from disposal group de-designated as held for sale	**37**	**-**	**37**
Unwinding of discount	**12**	**3**	**15**
Balance at end of financial year	**187**	**274**	**461**

Onerous contracts

Following the de-designation of the MGP/NQE joint operations as held for sale, a review of the valuation of these assets was completed. The operations of the Yabulu power station were found to be unprofitable due to lower than expected gas volumes from Moranbah not generating sufficient revenue to cover the fixed cost associated with the power purchase agreement (PPA) and gas transportation agreement (GTA). Both the PPA and GTA contracts have therefore been designated as onerous contracts.

On a discounted cash flow basis, an onerous contracts provision of $262 million has been recognised as at 30 June 2015.

	2015 $m	2014 $m
Note 22 - Other financial liabilities		
Current		
Derivative financial instruments - at fair value		
- Interest rate swap contracts - cash flow hedges	**27**	30
- Energy derivatives - cash flow hedges	**6**	75
- Energy derivatives - economic hedges	**158**	340
	191	445
Deferred consideration	**33**	32
Other contractual liabilities	**45**	-
	269	477
Non-current		
Derivative financial instruments - at fair value		
- Cross currency swap contracts - cash flow and fair value hedges	**-**	12
- Interest rate swap contracts - cash flow hedges	**52**	43
- Energy derivatives - cash flow hedges	**2**	15
- Energy derivatives - economic hedges	**7**	-
	61	70
Deferred consideration	**203**	210
Other contractual liabilities	**123**	-
	387	280

Note 23 - Other liabilities

	2015 $m	2014 $m
Current		
Deferred revenue - government grants	**7**	-
Non-current		
Deferred revenue - government grants	**215**	190
Deferred revenue - other	**47**	-
Defined benefit superannuation plan liability	**56**	67
Other	**45**	18
	363	275

Deferred revenue - government grants

AGL has received $222 million (2014: $190 million) in funding from the Australian Renewable Energy Agency and the New South Wales Government to support the construction of two large-scale solar photovoltaic (PV) projects. The grants will be transferred to profit or loss on a systematic basis over the expected useful life of the related assets.

	2015 $m	2014 $m
Note 24 - Issued capital		
674,712,378 fully-paid ordinary shares (2014: 559,719,746)	**6,696**	5,437

	2015 Number	2015 $m	2014 Number	2014 $m
Movement in fully-paid ordinary shares				
Balance at beginning of financial year	**559,719,746**	**5,437**	554,210,005	5,354
Shares issued under the institutional and retail rights offers (a)	**111,981,107**	**1,232**	-	-
Shares issued under AGL Dividend Reinvestment Plan (b)(c)	**2,998,085**	**43**	5,433,903	82
Shares issued to shareholders with unpresented or unclaimed dividend payments (d)	**13,440**	**-**	75,838	1
Transaction costs relating to the institutional and retail rights offers		**(22)**		-
Income tax relating to transactions with owners		**6**		-
Balance at end of financial year	**674,712,378**	**6,696**	559,719,746	5,437

(a) On 2 September 2014, 46,901,978 ordinary shares were issued at $11.00 per share to participating institutional shareholders under the institutional rights offer. On 25 September 2014, 65,079,129 ordinary shares were issued at $11.00 per share to participating retail shareholders under the retail rights offer.

The terms of the rights offer was one new AGL Energy Limited ordinary share offered for every five existing shares at $11.00 per share. The institutional and retail issues were fully underwritten. The net proceeds from the rights issues of $1,210 million were used to partially fund the acquisition of the Macquarie Generation assets.

The rights issues were at a discount to the then market price. Accordingly, earnings per share for all periods up to the date on which the shares were issued have been adjusted for the bonus element of the rights issues being 1.04048. The comparative earnings per share for the year ended 30 June 2014 have been restated accordingly (refer Note 27).

(b) On 30 September 2014, 1,510,250 ordinary shares were issued at $13.79 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

(c) On 25 March 2015, 1,487,835 ordinary shares were issued at $14.86 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

(d) On 30 September 2014, 13,440 ordinary shares were issued at $13.79 per share to shareholders with unpresented or unclaimed dividend payments.

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.

	2015 $m	2014 $m
Note 25 - Reserves		
Employee equity benefits	**3**	5
Hedging	**(68)**	(104)
	(65)	(99)

Movement in reserves

Employee equity benefits reserve

	2015 $m	2014 $m
Balance at beginning of financial year	**5**	3
Share-based payment plans expense	**5**	8
Purchase of shares on-market under AGL Share Reward Plan	**(2)**	(2)
Purchase of shares on-market under AGL Long-Term Incentive Plan	**(5)**	(4)
Balance at end of financial year	**3**	5

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.

Hedging reserve

	2015 $m	2014 $m
Balance at beginning of financial year	**(104)**	(5)
Loss arising on changes in fair value of cash flow hedges	**(22)**	(135)
Income tax related to gains/losses recognised in other comprehensive income	**6**	40
Cumulative loss/(gain) arising on changes in fair value of cash flow hedges reclassified to profit or loss	**94**	(6)
Income tax related to amounts reclassified to profit or loss	**(28)**	2
Share of loss in reserve attributable to a joint venture	**(14)**	-
Balance at end of financial year	**(68)**	(104)

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.

Note 26 - Retained earnings

	2015 $m	2014 $m
Balance at beginning of financial year	**2,249**	1,988
Profit for the year attributable to owners of AGL Energy Limited	**218**	570
Dividends paid or provided	**(387)**	(351)
Remeasurement gain on defined benefit plans, net of tax	**95**	42
Balance at end of financial year	**2,175**	2,249

	2015	2014 (Restated)

Note 27 - Earnings per share (EPS)

	2015	2014 (Restated)
Statutory earnings per share		
Basic earnings per share	**33.3 cents**	98.2 cents
Diluted earnings per share	**33.3 cents**	98.2 cents
Underlying earnings per share		
Basic earnings per share	**96.4 cents**	96.9 cents
Diluted earnings per share	**96.3 cents**	96.8 cents

	2015 $m	2014 $m
Earnings used in calculating basic and diluted earnings per share		
Profit for the year attributable to owners of AGL Energy Limited	**218**	570
Statutory earnings used to calculate basic and diluted EPS	**218**	570
Significant expense items after income tax	**578**	20
Gain in fair value of financial instruments after income tax	**(166)**	(28)
Underlying earnings used to calculate basic and diluted EPS	**630**	562

	2015 Number	2014 (Restated) 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	**649,815,015**	557,700,307
Bonus element of the rights issue	**3,910,739**	22,575,708
Number of ordinary shares used in the calculation of basic EPS	**653,725,754**	580,276,015
Effect of dilution - LTIP share performance rights	**282,774**	445,893
Number of ordinary shares used in the calculation of diluted EPS	**654,008,528**	580,721,908

In accordance with AASB 133 *Earnings per Share,* the comparative earnings per share calculations for the year ended 30 June 2014 have been restated for the bonus element of the one-for-five share rights issue undertaken in September 2014. The previously reported 30 June 2014 weighted average number of shares has been adjusted by a factor of 1.04048 being the market price of one ordinary share at the close of the last day at which the shares traded together with the rights of $14.35, divided by the theoretical ex-rights price per share of $13.7917.

Note 28 - Commitments

	2015 $m	2014 $m
(a) Capital expenditure commitments		
Property, plant and equipment		
Not later than one year	**78**	308
Later than one year and not later than five years	**6**	93
Later than five years	**-**	-
	84	401
AGL's share of joint operations capital commitments		
Not later than one year	**8**	5
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
	8	5
AGL's share of associates' and joint ventures' capital commitments		
Not later than one year	**-**	29
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
	-	29

(b) Lease commitments

	Minimum lease payments		Present value of minimum lease payments	
Finance lease liabilities	**2015 $m**	2014 $m	**2015 $m**	2014 $m
Not later than one year	**1**	-	**1**	-
Later than one year and not later than five years	**-**	1	**-**	1
Later than five years	**178**	178	**17**	15
Minimum future lease payments *	**179**	179	**18**	16
Less future finance charges	**(161)**	(163)	**-**	-
Present value of minimum lease payments	**18**	16	**18**	16
Included in the financial statements as:				
Current borrowings (Note 20)			**1**	-
Non-current borrowings (Note 20)			**17**	16
			18	16

* Minimum future lease payments include 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.

Note 28 - Commitments (cont'd)

Operating leases	2015 $m	2014 $m
Non-cancellable operating lease rentals are payable as follows:		
Not later than one year	**19**	18
Later than one year and not later than five years	**73**	58
Later than five years	**90**	68
	182	144

AGL has entered into operating leases on property, plant and equipment. Leases vary in contract period depending on the assets involved.

Note 29 - Contingent liabilities and contingent assets

Contingent liabilities

Details of contingent liabilities which Directors consider should be disclosed are set out below. 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.

Certain entities in AGL are party to various 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 AGL.

Contingent assets

AGL has no contingent assets as at 30 June 2015 (2014: Nil).

	2015 $000	2014 $000
Note 30 - Remuneration of auditors		
Auditor of the Parent Entity		
Audit and review of financial reports	**1,510**	1,385
Other regulatory audit services	**284**	309
Other assurance services	**268**	148
Other services	**339**	612
	2,401	2,454

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu.

Note 31 - Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2015 %	2014 %
AGL Energy Limited		Australia		
Subsidiaries				
Active Stream Pty Limited	(a)(d)	Australia	**100**	-
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL DPS Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
Victorian Energy 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 Torrens Island Holdings Pty Limited	(a)	Australia	**100**	100
AGL SA Generation Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Pty Limited	(a)	Australia	**100**	100
AGL South Australia Pty Limited	(a)	Australia	**100**	100
AGL APG Holdings Pty Limited	(a)	Australia	**100**	100
Australian Power and Gas Company Limited	(a)	Australia	**100**	100
Australian Power and Gas Pty Limited	(a)	Australia	**100**	100
APG Operations Pty Ltd	(a)	Australia	**100**	100
Australian Power and Gas (NSW) Pty Ltd	(a)	Australia	**100**	100
Ignition Energy Pty Ltd	(a)	Australia	**100**	100
Greentricity Pty Limited	(a)	Australia	**100**	100
IQ Energy Services Pty Ltd	(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 Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Generation Proprietary Limited		Australia	**100**	100
Great Energy Alliance Corporation Pty Limited	(b)	Australia	**100**	100
GEAC Operations Pty Limited	(b)	Australia	**100**	100
AGL LYP 1 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Partnership		Australia	**25**	25
AGL Loy Yang Pty Ltd		Australia	**25**	25
AGL Loy Yang Projects Pty Ltd		Australia	**25**	25
AGL LYP 2 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Partnership		Australia	**25**	25
AGL Loy Yang Pty Ltd		Australia	**25**	25
AGL Loy Yang Projects Pty Ltd		Australia	**25**	25
AGL LYP 3 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Partnership		Australia	**24.63**	24.63
AGL Loy Yang Pty Ltd		Australia	**24.63**	24.63
AGL Loy Yang Projects Pty Ltd		Australia	**24.63**	24.63
AGL LYP 4 BV		Netherlands	**100**	100
AGL Loy Yang Partnership		Australia	**25.37**	25.37
AGL Loy Yang Pty Ltd		Australia	**25.37**	25.37
AGL Loy Yang Projects Pty Ltd		Australia	**25.37**	25.37
Loy Yang Marketing Holdings Pty Limited	(b)	Australia	**100**	100
AGL Loy Yang Marketing Pty Ltd	(b)	Australia	**100**	100
AGL Gloucester MG Pty Ltd	(a)	Australia	**100**	100

Note 31 - Subsidiaries (cont'd)

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2015 %	2014 %
AGL HP1 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**49.5**	49.5
AGL Southern Hydro (NSW) Pty Limited	(a)	Australia	**100**	100
AGL HP2 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**20.0**	20.0
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**30.5**	30.5
AGL Macquarie Pty Limited	(a)	Australia	**100**	100
AGL New Energy Pty Limited (formerly Dual Fuel Systems Pty Limited)	(a)	Australia	**100**	100
AGL Power Generation Pty Limited	(a)	Australia	**100**	100
AGL Power Generation (Wind) 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
Crows Nest Wind Farm Pty Ltd	(a)	Australia	**100**	100
Highfields Wind Farm Pty Limited	(a)	Australia	**100**	100
Worlds End Wind Farm Pty Ltd	(a)	Australia	**100**	100
AGL PV Solar Holdings Pty Limited		Australia	**95**	95
AGL PV Solar Developments Pty Limited		Australia	**100**	100
AGL Retail Energy Limited	(a)	Australia	**100**	100
AGL Share Plan Pty Limited		Australia	**100**	100
AGL (SG) (Camden) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) Operations Pty Limited	(a)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)	Australia	**100**	100
AGL Gas Storage Pty Ltd	(a)	Australia	**100**	100
Mosaic Oil NZ Limited	(e)	New Zealand	**-**	100
AGL Upstream Infrastructure Investments Pty Limited	(a)	Australia	**100**	100
AGL Upstream Investments Pty Limited	(a)	Australia	**100**	100
AGL Wholesale Gas Limited	(a)	Australia	**100**	100
AGL Wholesale Gas (SA) Pty Limited	(a)	Australia	**100**	100
Connect Now Pty Ltd	(c)	Australia	**100**	-
Coopers Gap Wind Farm Pty Ltd	(a)	Australia	**100**	100
Geogen Victoria Pty Ltd	(a)	Australia	**100**	100
H C Extractions Pty Limited	(a)	Australia	**100**	100
Macarthur Wind Farm Pty Ltd	(a)	Australia	**100**	100
MWF Finance Pty Limited	(d)	Australia	**100**	-
Powerdirect Pty Ltd	(a)	Australia	**100**	100
Silverton Wind Farm Holdings Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Developments 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

Names inset indicate that shares are held by the company immediately above the inset.

(a) Parties to a Deed of Cross Guarantee with AGL Energy Limited as detailed in Note 34.
(b) Parties to a Deed of Cross Guarantee with AGL Generation Proprietary Limited as detailed in Note 34.
(c) Acquired during the financial year.
(d) Incorporated during the financial year.
(e) Deregistered during the financial year.

There were no disposals of subsidiaries made during the year ended 30 June 2015 (2014: none).

Note 32 - Acquisition of subsidiaries and businesses

2015

Acquisition of Macquarie Generation

On 20 August 2014, AGL executed a Sale and Purchase Agreement with the New South Wales Government to acquire the Macquarie Generation assets for consideration of $1,505 million including stamp duty.

The acquisition was completed on 2 September 2014, on which date AGL obtained control of the assets. The final purchase consideration comprised cash of $1,401 million including stamp duty of $93 million. The purchase price also included working capital and other settlement adjustments of $104 million.

The assets acquired included the 2,640 MW Bayswater and 2,000 MW Liddell coal fired power stations, 50 MW Hunter Valley gas turbines, development sites and extensive coal handling infrastructure comprising rail unloaders and conveyor systems.

The power stations give AGL ownership of the lowest cost, large-scale base load generators in NSW and increase AGL's registered generation capacity by approximately 82 percent to more than 10,400 MW.

Acquisition-related costs of $105 million including stamp duty have been excluded from the consideration paid and have been recognised as an expense in profit or loss in the year, within the 'other expenses' line item.

From the date of acquisition, it is not practicable to disclose Macquarie Generation's contribution to revenue and profit as the operations have been integrated into AGL's operating segments.

2014

Acquisition of Australian Power and Gas Company Limited

On 25 October 2013, AGL completed the acquisition of 100% of the voting shares in Australian Power and Gas Company Limited (APG) by way of an off-market takeover. For consolidation purposes, AGL obtained control of APG on 16 September 2013. The purchase consideration of $102 million was paid in cash.

APG was an energy retailer, with its principal activity being the sale of electricity and gas to residential customers in Victoria, New South Wales and Queensland.

Acquisition-related costs amounting to $4 million have been excluded from the consideration paid and were recognised as an expense in profit or loss in the year, within the 'other expenses' line item.

Note 32 - Acquisition of subsidiaries and businesses (cont'd)

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	Macquarie Generation 2015 $m	Other acquisitions 2015 $m	Total 2015 $m	Australian Power and Gas 2014 $m	Other acquisitions 2014 $m	Total 2014 $m
Current assets						
Cash and cash equivalents	-	-	-	24	-	24
Trade and other receivables (a)	79	1	80	69	-	69
Inventories	148	-	148	2	-	2
Other financial assets	86	-	86	-	-	-
Other assets	11	-	11	10	-	10
Total current assets	324	1	325	105	-	105
Non-current assets						
Other financial assets	64	-	64	-	-	-
Property, plant and equipment	1,352	3	1,355	-	-	-
Intangible assets	10	3	13	49	-	49
Deferred tax assets	92	-	92	31	-	31
Total non-current assets	1,518	6	1,524	80	-	80
Total assets	1,842	7	1,849	185	-	185
Current liabilities						
Trade and other payables	54	-	54	106	-	106
Borrowings	-	-	-	72	-	72
Provisions	47	1	48	1	-	1
Other financial liabilities	27	-	27	20	-	20
Total current liabilities	128	1	129	199	-	199
Non-current liabilities						
Provisions	72	-	72	-	-	-
Other financial liabilities	212	-	212	-	-	-
Other liabilities	122	-	122	-	-	-
Total non-current liabilities	406	-	406	-	-	-
Total liabilities	534	1	535	199	-	199
Net assets	1,308	6	1,314	(14)	-	(14)
Goodwill arising on acquisition	-	34	34	116	2	118
Fair value of net assets acquired	1,308	40	1,348	102	2	104
Purchase consideration	1,505	40	1,545	102	2	104
Less: working capital and other adjustments	(104)	-	(104)	-	-	-
Less: stamp duty	(93)	-	(93)	-	-	-
Net consideration	1,308	40	1,348	102	2	104
Cash paid	1,308	40	1,348	102	1	103
Consideration payable	-	-	-	-	1	1
Net consideration	1,308	40	1,348	102	2	104

Note 32 - Acquisition of subsidiaries and businesses (cont'd)

(a) Trade and other receivables acquired with a fair value of $80 million (2014: $69 million) had gross contractual amounts of $80 million (2014: $118 million). The best estimate at acquisition date of the contractual cash flows not expected to be collected is $nil (2014: $49 million).

The goodwill arising on other acquisitions is attributable to the synergies and cost savings expected to be achieved from integrating the businesses into AGL's Energy Markets business. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	2015	2014
	$m	$m
Net cash outflow on acquisitions		
Cash paid	**1,348**	103
Less: cash and cash equivalent balances acquired	**-**	(24)
	1,348	79

Note 33 - Joint operations

Joint operation	Principal activities	Interest 2015 %	2014 %
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 & PL 417	Gas production and exploration	**0.75**	0.75
Spring Gully Project - PL 204	Gas production	**0.0375**	0.0375
Galilee Basin - Queensland			
Galilee Gas Project - ATP 529P (a)	Gas exploration	**50**	50
Surat Basin - Queensland			
ATP 1190 (Bainbilla Block)	Oil and gas exploration	**75.252**	75.252
ATP 1190 (Spring Grove #2 sole risk)	Oil and gas exploration	**52.752**	52.752
ATP 1190 (Weribone)	Oil and gas exploration	**28.71**	28.71
PL 1 (Cabawin)	Oil production	**15**	15
PL 15	Gas production	**75**	75
PL 30 (Riverslea)	Oil production	**10**	10
PL 74 (Major)	Oil production	**16**	16
Cooper / Eromanga Basin - Queensland			
ATP 934P (under application)	Oil and gas exploration	**20**	20
ATP 1056P	Oil exploration	**40**	40
Others			
North Queensland Energy Joint Venture	Sale of gas and electricity	**50**	50
Macarthur Wind Farm Joint Venture	Wind farm owner	**50**	50
Lytton Joint Venture	Crude oil storage terminal	**33.333**	33.333

(a) AGL has entered into an agreement to transfer its 50% interest in ATP 529P to Galilee Energy Limited. Completion of the transaction is expected in August 2015 subject to Queensland Government approval. The carrying amount of AGL's interest in ATP 529P at 30 June 2015 is $nil.

AGL's interest in assets employed in the above joint operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	2015 $m	2014 $m
Current assets		
Cash and cash equivalents	**2**	14
Trade and other receivables	**6**	1
Inventories	**1**	2
Assets classified as held for sale	**491**	390
Total current assets	**500**	407
Non-current assets		
Exploration and evaluation assets	**9**	8
Oil and gas assets	**369**	1
Property, plant and equipment	**-**	492
Total non-current assets	**378**	501
Total assets	**878**	908

AGL's share of capital expenditure commitments and contingent liabilities of joint operations are disclosed in Notes 28 and 29 respectively.

Note 34 - Deeds of cross guarantee

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 a Deed of Cross Guarantee. Refer to Note 31 for further details.

	AGL Energy Limited		AGL Generation Pty Ltd	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Statement of profit or loss				
Revenue	**9,646**	8,903	**4**	4
Expenses	**(8,912)**	(8,285)	**(4)**	(4)
Share of profits of associates and joint ventures	**27**	25	**66**	322
Profit before net financing costs, depreciation and amortisation	**761**	643	**66**	322
Depreciation and amortisation	**(260)**	(225)	**-**	-
Profit before net financing costs	**501**	418	**66**	322
Finance income	**139**	123	**5**	14
Finance costs	**(176)**	(143)	**(11)**	(10)
Net financing costs	**(37)**	(20)	**(6)**	4
Profit before tax	**464**	398	**60**	326
Income tax expense	**(121)**	(97)	**(16)**	(86)
Profit for the year	**343**	301	**44**	240
Statement of comprehensive income				
Profit for the year	**343**	301	**44**	240
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement gain on defined benefit plans	**88**	33	**35**	20
Income tax relating to items that will not be reclassified subsequently	**(26)**	(10)	**(11)**	(6)
	62	23	**24**	14
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	**67**	(132)	**15**	10
Share of other comprehensive income of a joint venture	**(14)**	-	**-**	-
Income tax relating to items that may be reclassified subsequently	**(21)**	39	**(4)**	(3)
	32	(93)	**11**	7
Other comprehensive income for the year, net of income tax	**94**	(70)	**35**	21
Total comprehensive income for the year	**437**	231	**79**	261

Note 34 - Deed of cross guarantee (cont'd)

	AGL Energy Limited		AGL Generation Pty Ltd	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Statement of financial position				
Current assets				
Cash and cash equivalents	**123**	80	**1**	120
Trade and other receivables	**1,832**	1,633	**2**	57
Inventories	**375**	164	**-**	-
Other financial assets	**144**	133	**-**	60
Other assets	**35**	46	**3**	3
Assets classified as held for sale	**492**	430	**-**	-
Total current assets	**3,001**	2,486	**6**	240
Non-current assets				
Trade and other receivables	**44**	46	**672**	627
Other financial assets	**4,824**	3,712	**2,626**	1,645
Investments in associates and joint ventures	**91**	32	**-**	-
Exploration and evaluation assets	**130**	372	**-**	-
Oil and gas assets	**544**	170	**-**	-
Property, plant and equipment	**3,233**	2,340	**-**	-
Intangible assets	**2,397**	2,411	**-**	-
Deferred tax assets	**64**	-	**-**	-
Other assets	**21**	-	**10**	14
Total non-current assets	**11,348**	9,083	**3,308**	2,286
Total assets	**14,349**	11,569	**3,314**	2,526
Current liabilities				
Trade and other payables	**1,242**	1,010	**9**	108
Borrowings	**111**	11	**-**	-
Provisions	**141**	56	**-**	-
Current tax liabilities	**86**	48	**-**	-
Other financial liabilities	**556**	844	**-**	-
Other liabilities	**7**	-	**-**	-
Liabilities directly associated with assets classified as held for sale	**-**	77	**-**	-
Total current liabilities	**2,143**	2,046	**9**	108
Non-current liabilities				
Borrowings	**3,255**	2,398	**-**	-
Provisions	**406**	47	**-**	-
Deferred tax liabilities	**-**	51	**192**	116
Other financial liabilities	**387**	271	**112**	103
Other liabilities	**117**	22	**-**	-
Total non-current liabilities	**4,165**	2,789	**304**	219
Total liabilities	**6,308**	4,835	**313**	327
Net assets	**8,041**	6,734	**3,001**	2,199
Equity				
Issued capital	**6,696**	5,437	**2,559**	1,836
Reserves	**(64)**	(94)	**24**	13
Retained earnings	**1,409**	1,391	**418**	350
Total equity	**8,041**	6,734	**3,001**	2,199
Summary of movements in retained earnings				
Retained earnings at beginning of financial year	**1,391**	1,418	**350**	96
Profit for the year	**343**	301	**44**	240
Dividends paid or provided	**(387)**	(351)	**-**	-
Remeasurement gain on defined benefit plans, net of tax	**62**	23	**24**	14
Retained earnings at end of financial year	**1,409**	1,391	**418**	350

Note 35 - Defined benefit superannuation plans

AGL now contributes to six superannuation plans that provide defined benefits members a lump sum on retirement, death, disablement and withdrawal. Some defined benefit members are eligible for pension benefits in some cases. Lump sum benefits are calculated based on years of service and final average salary. The defined benefit plans are closed to new members. All new members receive accumulation benefits only.

On 2 September 2014, AGL acquired the Macquarie Generation business. A number of its employees are members of three New South Wales public sector defined benefit superannuation schemes.

The six plans are the SuperSolution Master Trust - AGL Division (SSMT), Equipsuper Fund (EF), Electricity Industry Superannuation Scheme (EISS), State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS).

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit plan every three years, or every year if the plan pays defined benefit pensions.

The plans trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees have the following roles: administration of the plans and payment to the beneficiaries from plan assets when required in accordance with the plan rules; management and investment of the plan assets; and compliance with other applicable regulations.

There are a number of risks to which the plans exposes AGL. The most significant risks are investment risk, salary growth risk, inflation risk, interest rate risk, legislative risk and changes in the life expectancy for members.

AGL 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.

	2015	2014
	$m	$m
Amounts recognised in profit or loss		
Current service cost	**26**	21
Net interest expense	**4**	4
Expense recognised in profit or loss as part of employee benefits expense	**30**	25
Amounts recognised in other comprehensive income		
Remeasurements		
Return on plan assets (excluding amounts included in net interest expense)	**(47)**	(46)
Actuarial (gain)/loss arising from changes in demographic assumptions	**-**	16
Actuarial (gain)/loss arising from changes in financial assumptions	**(87)**	(27)
Actuarial (gain)/loss arising from experience	**(1)**	(3)
Remeasurement gain on defined benefit plans recognised in other comprehensive income	**(135)**	(60)
Amounts included in the statement of financial position		
Present value of funded defined benefit obligations	**752**	593
Fair value of plan assets	**(716)**	(526)
Net defined benefit liability	**36**	67
Defined benefit superannuation plan asset (Note 12)	**(20)**	-
Defined benefit superannuation plan liability (Note 23)	**56**	67
Net defined benefit liability	**36**	67
Net liability at beginning of financial year	**67**	123
Net liabilities assumed in a business combination	**93**	-
Expense recognised in profit or loss	**30**	25
Amounts recognised in other comprehensive income	**(135)**	(60)
Employer contributions	**(19)**	(21)
Net liability at end of financial year	**36**	67

	2015	2014
	$m	$m

Note 35 - Defined benefit superannuation plans (cont'd)

Movements in the present value of defined benefit obligations		
Opening defined benefit obligations	**593**	583
Liabilities assumed in a business combination	**249**	-
Current service cost	**26**	21
Interest expense	**28**	22
Contributions by plan participants	**9**	7
Actuarial (gain)/loss arising from changes in demographic assumptions	**-**	16
Actuarial (gain)/loss arising from changes in financial assumptions	**(87)**	(27)
Actuarial (gain)/loss arising from experience	**(1)**	(3)
Benefits paid	**(61)**	(23)
Taxes, premiums and expenses paid	**(5)**	(5)
Transfers in	**1**	2
Closing defined benefit obligations	**752**	593

Movements in the fair value of plan assets		
Opening fair value of plan assets	**526**	460
Assets acquired in a business combination	**156**	-
Interest income	**24**	18
Return on plan assets (excluding amounts included in net interest expense)	**47**	46
Employer contributions	**19**	21
Contributions by plan participants	**9**	7
Benefits paid	**(61)**	(23)
Taxes, premiums and expenses paid	**(5)**	(5)
Transfers in	**1**	2
Closing fair value of plan assets	**716**	526

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**		**SSS, SASS, and SANCS**
	2015	2014	**2015**	2014	**2015**	2014	**2015**
	%	%	**%**	%	**%**	%	**%**
Australian equities	**28**	29	**29**	30	**27**	26	**26**
International equities	**31**	30	**25**	24	**22**	22	**32**
Fixed interest securities	**10**	9	**11**	11	**10**	15	**7**
Property	**4**	4	**9**	9	**12**	13	**9**
Cash	**7**	7	**8**	8	**6**	5	**6**
Alternatives/other	**20**	21	**18**	18	**23**	19	**20**

All plan assets are held within investment funds which do not have a quoted market price in an active market.

The fair value of plan assets includes no amounts relating to any of AGL's own financial instruments; or any property occupied by, or other assets used by AGL.

Note 35 - 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		SSS, SASS, & SANCS
	2015	2014	**2015**	2014	**2015**	2014	**2015**
	%	%	**%**	%	**%**	%	**%**
Discount rate active members	**4.1**	3.5	**4.1**	3.6	**4.7**	4.0	**4.7**
Discount rate pensioners	**-**	-	**4.1**	3.6	**4.7**	4.0	**-**
Expected salary increase rate	**3.5**	3.5	**4.0**	4.0	**4.0**	4.0	**2.5 - 3.5**
Expected pension increase rate	**-**	-	**2.5**	2.5	**2.8**	2.8	**-**

Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligation			
	Increase	**Decrease**	Increase	Decrease
	2015	**2015**	2014	2014
	$m	**$m**	$m	$m
Discount rate (0.5% movement)	**(42)**	**47**	(34)	37
Expected salary increase rate (0.5% movement)	**23**	**(22)**	17	(17)
Expected pension increase rate (0.5% movement)	**10**	**(9)**	12	(11)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Funding arrangements and employer contributions

Employer contributions are determined based on actuarial advice and are set to target the assets of the plans exceeding the total of members' vested benefits. Funding levels are reviewed regularly. Where assets are less than vested benefits, a management plan must be established to restore the coverage to at least 100%.

AGL expects to contribute $13 million to the defined benefit plans during the year ended 30 June 2016.

The weighted average duration of the defined benefit obligation as at 30 June 2015 was SSMT 8 years; EF 8 years; EISS 14 years; and SSS, SASS and SANCS 16 years.

Defined contribution superannuation plans

AGL makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the year ended 30 June 2015 was $24 million (2014: $17 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, AGL determines the present value of defined benefit obligations by discounting future benefits payable to members at the yield on high quality corporate 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 36 - Share-based payment plans

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 AGL'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. Employees participating in the AGL Long-Term Incentive Plan and the Directors of AGL are not eligible to participate.

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 AGL.

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

Grant date	Balance at 1 July Number	Granted during the year Number	Fair value per share $	Distributed during the year Number	Balance at 30 June Number
2015					
30 September 2014	**-**	**109,886**	**$13.65**	**(9,353)**	**100,533**
27 September 2013	**130,176**	**-**	**-**	**(13,696)**	**116,480**
28 September 2012	**81,600**	**-**	**-**	**(11,520)**	**70,080**
30 September 2011	**51,695**	**-**	**-**	**(51,695)**	**-**
	263,471	**109,886**		**(86,264)**	**287,093**
2014					
27 September 2013	-	146,304	$15.46	(16,128)	130,176
28 September 2012	96,064	-	-	(14,464)	81,600
30 September 2011	59,535	-	-	(7,840)	51,695
22 September 2010	61,793	-	-	(61,793)	-
	217,392	146,304		(100,225)	263,471

During the year, there were 2,338 eligible employees (2014: 2,286) who were each granted 47 ordinary shares in AGL (2014: 64). All shares granted were purchased on-market and the fair value per share is market value.

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 $2 million (2014: $2 million).

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.

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 AGL, and the Board or the trustee determines that the shares should be freed from this restriction following the written request of the participating employee.

Note 36 - Share-based payment plans (cont'd)

AGL Share Purchase Plan (cont'd)

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

Share movements	Balance at 1 July Number	Purchased/ granted during the year Number	Fair value per share $	Distributed during the year Number	Balance at 30 June Number
2015					
Non-executive Directors	**19,491**	**357**	**$13.98**	**-**	**19,848**
Managing Director and Chief Executive Officer (a)	**169,300**	**-**	**-**	**(169,300)**	**-**
Managing Director and Chief Executive Officer (b)	**-**	**73,000**	**$15.12**	**-**	**73,000**
Employees	**172,649**	**179,062**	**$14.05**	**(109,236)**	**242,475**
	361,440	**252,419**		**(278,536)**	**335,323**
2014					
Non-executive Directors	19,166	325	$15.38	-	19,491
Managing Director and Chief Executive Officer	169,300	-	-	-	169,300
Employees	147,196	118,294	$15.45	(92,841)	172,649
	335,662	118,619		(92,841)	361,440

(a) Mr Fraser retired on 11 February 2015 as Managing Director and Chief Executive Officer and the 169,300 AGL shares that had been allocated to him in prior years were released.

(b) Mr Vesey commenced employment with AGL on 12 January 2015 as Managing Director and Chief Executive Officer designate and was officially appointed MD and CEO from 12 February 2015. Under Mr Vesey's service agreement, he received an allocation of 73,000 AGL shares in partial recognition of incentives foregone from his previous employment.

At the end of the reporting period, there was one Non-executive Director (2014: one) and 306 employees including the Managing Director (2014: 294) participating in the SPP. All shares were purchased on-market and the fair value per share is market value.

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.

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 has been amended by the Board in August 2009, September 2013 and September 2014. The LTIP is an integral part of AGL's remuneration policy.

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.

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.

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

Note 36 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan (cont'd)

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 AGL who are determined by the Board in its discretion to be eligible to participate in the LTIP.

On 25 September 2014, 21 executives received an initial notional grant of 223,636 SPRs in respect of the year ended 30 June 2015. The number of SPRs notionally granted was determined by taking the participant's fixed remuneration as at 1 September 2014 multiplied by their pre-agreed percentage LTI component, and divided by $15.30 (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 2014).

The SPRs notionally granted are subject to two performance hurdles based on:

- Annual Total Shareholder Return (TSR); and
- Relative Total Shareholder Return measured against the ASX 100 (Relative TSR).

TSR is calculated by measuring a combination of change in share price, dividends and capital returns to show the total return to shareholders over the annual performance period.

Relative TSR is calculated by ranking AGL's TSR on a relative basis against TSR performance of constituent companies in the ASX100 and is independently measured.

The number of SPRs to be deposited or deducted from a participant's TSR bank account and Relative TSR bank account is determined by a multiplier to be applied to the number of SPRs notionally granted according to the TSR and Relative TSR outcomes as indicated in the tables below.

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%.

TSR ranking relative to ASX100	Number of SPRs awarded
Equal to or greater than 90th percentile	2 times SPRs notionally granted
Greater than 65th percentile and less than 90th percentile	Progressive on a straight-line basis from 1 times to 2 times SPRs notionally granted
Equal to 65th percentile	1 times SPRs notionally granted
Greater than 50th percentile and less than 65th percentile	Progressive on a straight-line basis from 0.5 times to 1 times SPRs notionally granted
Equal to 50th percentile	0.5 times SPRs notionally granted
Greater than 40th percentile and less than 50th percentile	Progressive on a straight-line basis from 0.4 times to 0.5 times SPRs notionally granted
Equal to 40th percentile	0.4 times SPRs notionally granted
Equal to or greater than 25th percentile and less than 40th percentile	Zero times SPRs notionally granted
Greater than zero and less than 25th percentile	Progressive deduction on a straight-line basis from minus 1 times to zero times SPRs notionally granted
Equal to zero	Minus 1 times SPRs notionally granted

If there is a positive balance in a participant's TSR and Relative TSR accounts, 40% of that balance will vest and be converted and distributed to participants as AGL shares.

Any remaining positive balance held in the TSR and Relative TSR accounts for each participant is carried forward and may vest or be deducted in future years. Any negative balance is also carried forward.

Note 36 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan (cont'd)

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
2015				
25 September 2014	**223,636**	**1 July 2014 - 30 June 2015**	**1 September 2015**	**$5.92**
2014				
9 October 2013	392,137	1 July 2013 - 30 June 2014	1 September 2014	$15.88

Closed Performance Hurdle: EBIT/Funds Employed

The EBIT/Funds Employed notional bank account has been closed effective 30 June 2013. No further allocations have been made to this bank account, however to ensure that performance against the EBIT/Funds Employed condition is sustained, the balance in that account will remain subject to deduction until September 2015.

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

SPRs grant	Balance at 1 July Number	Adjustment to SPR balance at 1 July (a) Number	Deposited (deducted) during the year (b) Number	Notionally granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2015							
TSR share bank account	**142,771**	**7,116**	**321,100**	**-**	**(304,050)**	**(34,056)**	**132,881**
Relative TSR share bank account	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EBIT/Funds Employed share bank account	**257,764**	**12,843**	**(211,072)**	**-**	**(42,504)**	**(3,799)**	**13,232**
Notional grant 25-Sep-14	**-**	**-**	**-**	**223,636**	**-**	**(19,699)**	**203,937**
Notional grant 9-Oct-13	**392,137**	**-**	**(392,137)**	**-**	**-**	**-**	**-**
	792,672	**19,959**	**(282,109)**	**223,636**	**(346,554)**	**(57,554)**	**350,050**

(a) Adjustment to the share bank balances for the dilution to unvested SPRs as at 1 July 2014 as a result of the one-for-five share rights issue in September 2014.

(b) After testing the SPRs notionally granted on 9 October 2013 against the relevant performance hurdle for the 2014 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 2015.

Note 36 - Share-based payment plans (cont'd)

AGL Long-Term Incentive Plan (cont'd)

SPRs grant	Balance at 1 July Number	Deposited (deducted) during the year (a) Number	Notionally granted during the year Number	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2014						
TSR share bank account	237,953	-	-	(95,182)	-	142,771
Relative TSR share bank account	-	-	-	-	-	-
EBIT/Funds Employed share bank account	140,349	289,262	-	(171,847)	-	257,764
Notional grant 9-Oct-13	-	-	392,137	-	-	392,137
Notional grant 27-Aug-12	338,328	(338,328)	-	-	-	-
	716,630	(49,066)	392,137	(267,029)	-	792,672

(a) After testing the SPRs notionally granted on 27 August 2012 against the relevant performance hurdle for the 2013 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 2014.

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

SPRs grant	**2015** **25-Sep-14**	2014 9-Oct-13
Weighted average fair value at grant date	**$5.92**	$15.88
Share price at grant date	**$13.72**	$15.63
Expected volatility	**16.0%**	20.0%
SPR life	**0.9 - 4.9 years**	0.9 - 4.9 years
Expected dividend yield	**4.6%**	4.2%
Risk free interest rate (based on government bonds)	**2.5%**	2.5%

The expense recognised in profit or loss as part of employee benefits expense during the year in relation to SPRs granted to executives under the AGL Long-Term Incentive Plan was $3 million (2014: $6 million).

Note 37 - Related party disclosures

Key management personnel remuneration

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

The aggregate remuneration made to key management personnel is set out below:

	2015 $000	2014 $000
Short-term employee benefits	**16,798**	7,994
Post-employment benefits	**618**	808
Termination benefits	**836**	-
Share-based payments	**3,730**	3,462
	21,982	12,264

Further details are contained in the Remuneration Report attached to and forming part of the Directors' Report.

Loans to joint ventures

AGL has provided a loan of $73,502,000 (2014: $126,336,000) to Diamantina Holding Company Pty Limited. Interest was charged at a fixed rate from 19 December 2014 and payments are due quarterly. Interest of $4,725,000 (2014: $nil) was accrued during the year. At the end of the reporting period, interest accrued but not yet receivable totals $2,236,000 (2014: $nil).

Balance at beginning of financial year	**126,336**	-
Loans advanced	**3,490**	126,336
Loan repayments	**(56,324)**	-
Balance at beginning of financial year	**73,502**	126,336

Amounts owing by joint ventures		
ActewAGL Retail Partnership	**48,462**	50,113
Diamantina Power Station Pty Limited	**-**	9,930
	48,462	60,043

Amounts owing by joint operations		
Galilee Gas Project Joint Venture	**-**	376

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 joint ventures and joint operations.

Amounts owing to joint ventures		
ActewAGL Retail Partnership	**9,093**	4,540

Trading transactions with joint ventures

ActewAGL Retail Partnership

AGL provided management and retail services to the ActewAGL Retail Partnership on normal commercial terms and conditions.	**6,967**	7,432
AGL sold gas and electricity to the ActewAGL Retail Partnership on normal commercial terms and conditions.	**221,842**	271,910

Diamantina Power Station Pty Limited

On 6 October 2011, AGL entered into a gas supply agreement with Diamantina Power Station Pty Limited, 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	**106,714**	99,915

Note 38 - Cash and cash equivalents

(a) Reconciliation to cash flow statement

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2015	2014
	$m	$m
Cash at bank and on hand	**182**	301
Short-term deposits	**77**	155
	259	456
Cash and cash equivalents included in disposal groups held for sale	**-**	10
	259	466

Restricted cash balances

Great Energy Alliance Corporation Pty Limited, a wholly-owned subsidiary, has cash and cash equivalents at 30 June 2015 of $57 million (2014: $189 million) which are held in reserve accounts which may only be used for the purposes specified under the project financing documents.

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2015	2014
Profit for the year	**218**	570
Share of profits of associates and joint ventures	**(27)**	(25)
Dividends received from joint ventures	**32**	26
Depreciation and amortisation	**379**	326
Impairment loss on exploration and evaluation assets	**275**	-
Impairment loss on oil and gas assets	**18**	-
Impairment loss on intangible assets	**40**	-
Impairment loss on investment in an associate	**2**	-
Impairment loss on remeasurement of disposal group	**7**	-
Share-based payments expense	**5**	8
Gain in fair value of financial instruments	**(237)**	(40)
Onerous contracts expense	**262**	-
Cumulative loss reclassified from equity on acquisition of a business	**37**	-
Net loss on disposal of property, plant and equipment	**20**	9
Non-cash finance costs	**52**	45
Capitalised finance costs	**(24)**	(15)
Deferred borrowing costs	**(5)**	(4)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**97**	147
(Increase)/decrease in inventories	**(61)**	(54)
(Increase)/decrease in derivative financial instruments	**(19)**	-
(Increase)/decrease in other financial assets	**(5)**	-
(Increase)/decrease in other assets	**70**	86
Increase/(decrease) in trade and other payables	**(101)**	(270)
Increase/(decrease) in provisions	**-**	(113)
Increase/(decrease) in other liabilities	**38**	5
Increase/(decrease) in tax assets and liabilities	**(29)**	(2)
Net cash provided by operating activities	**1,044**	699

(c) Non-cash financing and investing activities

Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan	**43**	82

Note 39 - Financial instruments

(a) Capital risk management

AGL'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, AGL may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. AGL's overall capital management strategy remains unchanged from 2014.

The capital structure of AGL consists of net debt (borrowings offset by cash and cash equivalents) and total equity (comprising issued capital, reserves and retained earnings).

AGL 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:

	2015	2014
	$m	$m
Current borrowings	**443**	45
Non-current borrowings	**3,439**	3,669
Total borrowings	**3,882**	3,714
Adjustment for cross currency swap hedges and deferred borrowing costs	**(63)**	17
Adjusted total borrowings	**3,819**	3,731
Cash and cash equivalents	**(259)**	(456)
Cash and cash equivalents included in disposal groups held for sale	**-**	(10)
Net debt	**3,560**	3,265
Total equity	**8,815**	7,588
Hedging reserve	**68**	104
Adjusted equity	**8,883**	7,692
Net debt	**3,560**	3,265
Adjusted total capital	**12,443**	10,957
Gearing ratio	**28.6%**	29.8%

(b) Financial risk management

AGL'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. AGL's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on its financial performance. AGL 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 (the Committee), which is responsible for approving AGL'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.

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

Note 39 - Financial instruments (cont'd)

(c) Interest rate risk management

AGL 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.

AGL 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, AGL had the following financial assets and liabilities exposed to floating interest rate risk:

Floating rate instruments	**2015 $m**	2014 $m
Financial assets		
Cash and cash equivalents	**259**	456
Cash and cash equivalents included in disposal groups held for sale	**-**	10
	259	466
Financial liabilities		
USD senior notes (after effect of cross currency swaps)	**338**	338
Subordinated notes	**650**	650
Bank loans	**2,038**	2,539
Other loans	**178**	189
Interest rate swap contracts	**(1,705)**	(1,380)
	1,499	2,336

Interest rate swap contracts - cash flow hedges

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	**2015 %**	2014 %	**2015 $m**	2014 $m	**2015 $m**	2014 $m
Less than 1 year	**3.56**	5.46	**715**	260	**(4)**	(3)
1 to 2 years	**3.85**	5.04	**440**	815	**(11)**	(26)
2 to 3 years	**3.92**	3.85	**400**	440	**(17)**	(8)
3 to 4 years	**4.00**	6.14	**150**	150	**(8)**	(12)
4 to 5 years	**4.05**	3.86	**190**	80	**(11)**	(4)
5 years or more	**3.83**	4.22	**770**	505	**(21)**	(14)
			2,665	2,250	**(72)**	(67)

The aggregate notional principal amount of the outstanding interest rate swap contracts at 30 June 2015 was $2,665 million (2014: $2,250 million). Included in this amount are $960 million (2014: $870 million) of forward interest rate swap contracts, of which $445 million commences in the 2016 financial year, $100 million commences in the 2017 financial year, $150 million commences in the 2019 financial year, $225 million commences in the 2020 financial year and $40 million commences in the 2021 financial year.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. AGL will settle the difference between the fixed and floating interest rate on a net basis. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

Note 39 - Financial instruments (cont'd)

(c) Interest rate risk management (cont'd)

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, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit after tax Increase/(decrease)		Other comprehensive income Increase/(decrease)	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Interest rates +0.5% (50 basis points)	**(3)**	(6)	**20**	18
Interest rates -0.5% (50 basis points)	**3**	6	**(19)**	(18)

(d) Foreign currency risk management

AGL 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

AGL'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.

AGL enters into contracts to purchase plant and equipment denominated in foreign currencies. AGL enters into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

There were no material forward foreign exchange contracts outstanding at the end of the reporting period (2014: nil).

Cross currency swap contracts

Under cross currency swap contracts, AGL has agreed to exchange specified foreign currency loan principal and interest amounts at agreed future dates at fixed exchange rates. Such contracts enable AGL 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 2015 was an asset of $74 million (2014: liability of $12 million), of which $42 million (2014: ($13) million) is in a cash flow hedge relationship and $32 million (2014: $1 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Outstanding contracts	**%**	%			**$m**	$m	**$m**	$m
Buy US dollars								
5 years or more	**5.13**	5.31	**0.888**	0.888	**338**	338	**74**	(12)

Note 39 - Financial instruments (cont'd)

(e) Energy price risk management

AGL is exposed to energy price risk associated with the purchase and/or sale of electricity, gas and environmental products. AGL 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 AGL's policy to actively manage the energy price exposure arising from both forecast energy supply and retail customer energy load. AGL'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:

	2015 $m	2014 $m
Energy derivative financial assets - current		
Energy derivatives - cash flow hedges	**9**	3
Energy derivatives - economic hedges	**119**	92
	128	95
Energy derivative financial assets - non-current		
Energy derivatives - cash flow hedges	**2**	-
Energy derivatives - economic hedges	**445**	353
	447	353
Energy derivative financial liabilities - current		
Energy derivatives - cash flow hedges	**6**	75
Energy derivatives - economic hedges	**158**	340
	164	415
Energy derivative financial liabilities - non-current		
Energy derivatives - cash flow hedges	**2**	15
Energy derivatives - economic hedges	**7**	-
	9	15

Energy derivatives - cash flow hedges

Derivative financial instruments are used by AGL 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 2015 were 7 million MWh (2014: 15 million MWh). Energy derivatives are either designated in cash flow hedge relationships or remain non-designated.

Energy derivatives - economic hedges

AGL 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 consolidated 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.

Note 39 - Financial instruments (cont'd)

(e) Energy price risk management (cont'd)

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, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit after tax Increase/(decrease)		**Other comprehensive income Increase/(decrease)**	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Energy forward price +10%	**(134)**	(31)	**45**	19
Energy forward price -10%	**141**	30	**(40)**	(19)

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.

(f) Hedging

Cash flow hedges

The following table details the movements in the hedging reserve from cash flow hedges:

Hedging reserve	**2015 $m**	2014 $m
Balance at beginning of financial year	**(104)**	(5)
Loss in fair value of cash flow hedges	**(22)**	(135)
Reclassified to cost of sales	**81**	(21)
Reclassified to finance costs	**13**	15
Share of loss in reserve attributable to a joint venture	**(14)**	-
Income tax on items taken directly to or transferred from equity	**(22)**	42
Balance at end of financial year	**(68)**	(104)

(g) Credit risk management

AGL 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. AGL'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 3.7 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. AGL does not have any significant credit risk exposure to any single customer or any group of customers.

AGL 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. Derivative counterparties are limited to high creditworthy financial institutions and other organisations in the energy industry. AGL 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 AGL'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.

AGL does not hold any collateral or other credit enhancements to cover this credit risk.

Note 39 - Financial instruments (cont'd)

(h) Liquidity risk management

Liquidity risk is the risk that AGL 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 AGL's short, medium and long term funding and liquidity management requirements.

AGL 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.

The following table details AGL's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which AGL 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.

	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
2015						
Non-derivative financial liabilities						
Trade and other payables	**1,377**	**-**	**-**	**-**	**-**	**1,377**
USD senior notes	**11**	**11**	**22**	**44**	**553**	**641**
Subordinated notes	**19**	**19**	**39**	**130**	**1,618**	**1,825**
Medium term notes	**15**	**15**	**30**	**90**	**645**	**795**
Bank loans	**376**	**137**	**84**	**1,178**	**1,312**	**3,087**
Other loans	**10**	**9**	**19**	**50**	**173**	**261**
Finance lease liabilities	**-**	**1**	**-**	**-**	**178**	**179**
Deferred consideration	**-**	**32**	**33**	**104**	**276**	**445**
Other contractual liabilities	**23**	**22**	**123**	**-**	**-**	**168**
	1,831	**246**	**350**	**1,596**	**4,755**	**8,778**
2014						
Non-derivative financial liabilities						
Trade and other payables	1,278	139	-	-	-	1,417
USD senior notes	8	8	16	49	492	573
Subordinated notes	21	22	45	143	1,667	1,898
Bank loans	67	68	1,075	799	286	2,295
Other loans	10	10	20	53	189	282
Finance lease liabilities	-	-	-	1	178	179
Deferred consideration	-	32	32	102	311	477
	1,384	279	1,188	1,147	3,123	7,121

Note 39 - Financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

The following table details AGL's liquidity analysis for its derivative financial instruments. The amounts are 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
2015						
Derivative financial instruments						
Gross settled						
- Cross currency swap contracts - pay leg	**(9)**	**(9)**	**(18)**	**(61)**	**(423)**	**(520)**
- Cross currency swap contracts - receive leg	**11**	**11**	**22**	**44**	**553**	**641**
Net pay	**2**	**2**	**4**	**(17)**	**130**	**121**
Net settled						
- Interest rate swap contracts	**(15)**	**(13)**	**(23)**	**(25)**	**2**	**(74)**
- Energy derivatives	**(44)**	**(62)**	**(65)**	**(8)**	**-**	**(179)**
	(57)	**(73)**	**(84)**	**(50)**	**132**	**(132)**
2014						
Derivative financial instruments						
Gross settled						
- Cross currency swap contracts - pay leg	(9)	(9)	(18)	(63)	(451)	(550)
- Cross currency swap contracts - receive leg	8	8	16	49	418	499
Net pay	(1)	(1)	(2)	(14)	(33)	(51)
Net settled						
- Interest rate swap contracts	(23)	(23)	(46)	(97)	(36)	(225)
- Energy derivatives	(124)	(109)	(113)	(107)	-	(453)
	(148)	(133)	(161)	(218)	(69)	(729)

Note 39 - Financial instruments (cont'd)

(i) 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).

There were no material transfers between Level 1 and Level 2 during the year.

	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2015					
Financial assets					
Derivative financial instruments					
- Cross currency swap contracts - cash flow and fair value hedges	**74**	**-**	**74**	-	**74**
- Interest rate swap contracts - cash flow hedges	**7**	**-**	**7**	**-**	**7**
- Energy derivatives - cash flow hedges	**11**	**-**	**11**	**-**	**11**
- Energy derivatives - economic hedges	**564**	**12**	**107**	**445**	**564**
	656	**12**	**199**	**445**	**656**
Financial liabilities					
Derivative financial instruments					
- Interest rate swap contracts - cash flow hedges	**(79)**	**-**	**(79)**	**-**	**(79)**
- Energy derivatives - cash flow hedges	**(8)**	**-**	**(8)**	**-**	**(8)**
- Energy derivatives - economic hedges	**(165)**	**(9)**	**(68)**	**(88)**	**(165)**
	(252)	**(9)**	**(155)**	**(88)**	**(252)**
2014					
Financial assets					
Derivative financial instruments					
- Interest rate swap contracts - cash flow hedges	6	-	6	-	6
- Energy derivatives - cash flow hedges	3	-	3	-	3
- Energy derivatives - economic hedges	445	5	87	353	445
	454	5	96	353	454
Financial liabilities					
Derivative financial instruments					
- Cross currency swap contracts - cash flow and fair value hedges	(12)	-	(12)	-	(12)
- Interest rate swap contracts - cash flow hedges	(73)	-	(73)	-	(73)
- Energy derivatives - cash flow hedges	(90)	-	(90)	-	(90)
- Energy derivatives - economic hedges	(340)	(13)	(198)	(129)	(340)
	(515)	(13)	(373)	(129)	(515)

Management have assessed that the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) to be comparable to fair value.

Note 39 - Financial instruments (cont'd)

(i) Fair value measurements (cont'd)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

(a) Receivables / payables with a remaining life of less than 6 months, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value if the effect of discounting is material.

(b) The fair value of forward foreign exchange contracts and energy derivatives is calculated as the present value of expected future cash flows relating to the difference between the contracted 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 that reflect the credit risk of various counterparties.

(c) The fair value of borrowings is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

(d) The fair value of energy derivatives is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

(e) The fair value of lease liabilities is estimated as the present value of future cash flows discounted where the effect of discounting is material.

(f) The fair value of deferred consideration is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

Energy derivatives	**2015 $m**	2014 $m
Opening balance	**224**	224
Total gains and losses recognised in profit or loss		
- Settlements during the year	**42**	22
- Changes in fair value	**42**	(15)
Purchases	**(5)**	(7)
Acquisition through business combination	**54**	-
Closing balance	**357**	224

The total gains or losses for the year included a gain of $74 million relating to energy derivative contracts held at the end of the reporting period (2014: a gain of $8 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 5.

The sensitivity of level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% is $(112) million and lower by 10% is $124 million (profit after tax increase/(decrease)). Input changes were applied to WACC and indexes in cost plus models and to unpublished future market prices in market based contracts.

Note 40 - 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.

	2015	2014
	$m	$m
Financial position		
Assets		
Current assets	**323**	598
Non-current assets	**13,245**	11,386
Total assets	**13,568**	11,984
Liabilities		
Current liabilities	**513**	391
Non-current liabilities	**6,571**	5,607
Total liabilities	**7,084**	5,998
Equity		
Issued capital	**6,696**	5,437
Reserves		
Employee equity benefits	**3**	5
Hedging	**(55)**	(39)
Retained earnings	**(160)**	583
Total equity	**6,484**	5,986
Financial performance		
(Loss)/profit for the year	**(364)**	622
Other comprehensive income	**(9)**	(12)
Total comprehensive income for the year	**(373)**	610

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 Australian subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 31 and 34 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 is a party to various 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 2015, the Parent Entity had commitments for the acquisition of property, plant and equipment of $nil (2014: $nil) and its share of joint operations capital commitments was $nil million (2014: $5 million).

Note 41 - 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 AGL, the results of those operations, or the state of affairs of AGL in future financial periods other than:

Final dividend

On 12 August 2015, the Directors of AGL resolved to pay a fully franked final dividend of 34.0 cents per share, amounting to $229 million. The record date for the final dividend is 27 August 2015 with payment to be made on 24 September 2015. Shares will commence trading ex-dividend on 25 August 2015.

The AGL Dividend Reinvestment Plan (DRP) will be in operation. No discount will apply to shares allocated under the DRP. Shares will be allocated to plan participants at the volume weighted average price at which AGL shares trade during each of the 10 trading days commencing on 31 August 2015. The last date for shareholders to elect to participate in the DRP for the FY15 final dividend is 28 August 2015.

Directors' Declaration
For the year ended 30 June 2015

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 AGL;

(d) in their opinion, there are reasonable grounds to believe that the Parent Entity and the subsidiaries identified in Note 31 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, 12 August 2015

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

12 August 2015

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 2015, 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

Deloitte.

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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 2015, 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 77 of the AGL Financial Report 2015.

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 gives a true and fair view and 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 2015 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 43 to 64 of the Directors' Report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 12 August 2015