



ASX RELEASE

3 March 2010

We advise that the release to the market on 26 February 2010 of the company's Appendix 4D results for the half year ended 31 December 2010 contained a number of drafting errors. These errors have been corrected in the re-released version provided to the ASX today.

The changes do not entail a change to the audit opinion nor the results contained in the Income Statement.

The changes that have been made include:

- amending of the number of net active accounts to 120,000 shown in the Directors' Report; and
- correctly recording certain borrowings as non-current liabilities.

David Franks
Company Secretary

About Australian Power and Gas

Australian Power & Gas Company Ltd is listed on the Australian Stock Exchange (ASX) under the code APK. Australian Power & Gas holds a full suite of gas and electricity retail licences in Victoria, New South Wales, ACT, South Australia and Queensland and has been approved to operate by AEMO, the Australian Energy Market Operator. The company benefits from a strong management team with more than 50 years combined experience in the energy industry.

- ENDS -

For further information please contact:

Andrew Butler, Australian Power & Gas
02 8908 2711 / 0419 818 801

Mitch Hume, Canning's
02 8284 9910 / 0422 534 755

HALF-YEAR REPORT

For half-year to 31 December 2009
Appendix 4D
Results for announcement to the market

Australian Power and Gas Company Limited
ABN 96 077 206 583

	Change from previous period	
	\$'000s	\$'000s
Revenue from continuing operations	Up by 29,276 (108%) to	60,793
Profit from continuing operations after tax attributable to members	Up by 6,749 to	1,102
Net profit for the period attributable to members	Up by 6,749 to	1,102

No dividends were paid or provided for during the reporting period.

A review of the results is contained in the Directors' Report for the half-year attached to this announcement.



Australian Power&Gas[®]
Simply smarter energy

CONTENTS

Directors' report	2
Directors' declaration	4
Financial report	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Auditor's independence declaration	18
Auditor's report	19

DIRECTORS' REPORT

The directors of Australian Power and Gas Company Limited (the Company) present the financial report of the company and its subsidiaries (the Group) for the half-year ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

1. Directors

The names of the directors of the company in office during or since the end of the half-year to the date of this report are:

Mr Ian McGregor	Chairman
Mr James Myatt	Managing director
Mr Michael Hogg	Non-executive director
Mr Richard Poole	Non-executive director

Directors have held office for the entire period unless otherwise noted.

2. Review of operations and operating result

The Group continued to develop its energy retailing customer base. A further 20,000 (unaudited figure) net customer accounts were transferred during the half-year, bringing active customer accounts to 120,000 (unaudited figure) as at 31 December 2009. Revenue during the reporting period was \$60,793,000, up 108% from \$31,517,000 recorded in the prior period.

Operating expenses for the half-year totalled \$54,471,000, up from \$34,234,000 in the previous half-year, and reflect the changing scale of the Group's business. The main categories of expenses were:

- costs of sales of \$43,049,000 including the benefit of hedging contracts;
- employee benefits expense of \$3,482,000; and
- administration expenses of \$7,940,000.

Depreciation and amortisation of \$3,143,000 mainly related to the expensing of customer acquisition costs. Finance costs of \$1,711,000 were lower due to reductions in facility costs achieved.

The net profit after income tax was \$1,102,000 whereas the previous period's result was a loss of \$5,647,000.

Capitalised costs of customer acquisition as at 31 December 2009 totalled \$4,491,000, net of amortisation. Customer acquisition costs relating to customers on term contracts are amortised over the estimated life of the contract. Financial facility costs capitalised totalled \$1,991,000, net of amortisation, and are amortised over the period of the relevant agreements.

The number of full time employees as at 31 December 2009 was 44. Full time staff are primarily engaged in the management of the operating processes or customer acquisition support functions.

The Group had cash and cash equivalents of \$4,701,000 at 31 December 2009, excluding amounts held as security for guarantees issued to suppliers of \$3,060,000.

3. Dividends

No dividends were paid or provided during the half-year to 31 December 2009.

4. Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the half-year financial report.

5. Rounding of amounts

The Company is of the kind referred to in the Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the directors' report and the half-year financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the directors



Chairman

26 February 2010

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



Ian McGregor
Chairman
26 February 2010

FINANCIAL REPORT

Condensed consolidated statement of comprehensive income

for the half-year ended 31 December 2009

	Group	
	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Continuing operations		
Revenue	60,793	31,517
Other income	66	97
Expenses	(54,471)	(34,234)
Profit/(loss) before finance costs, depreciation and amortisation	6,388	(2,620)
Depreciation and amortisation	(3,143)	(3,043)
Profit/(loss) before finance costs	3,245	(5,663)
Finance costs	(1,711)	(2,455)
Profit/(loss) before tax	1,534	(8,118)
Income tax benefit/(expense)	(432)	2,471
Profit/(loss) attributable to shareholders of the parent entity	1,102	(5,647)
Other comprehensive income/(loss)		
Gain on cash flow hedges taken to equity	2,008	(4,037)
Income tax benefit relating to components of comprehensive income/(expense)	(602)	1,209
Other comprehensive income/(expense) (net of tax)	1,406	(2,828)
Total comprehensive income/(loss) for the period	2,508	(8,475)
Earnings per share		
Basic (cents per share)	1.1	(5.6)
Diluted (cents per share)	0.8	(5.6)
Earnings per share from continuing operations		
Basic (cents per share)	1.1	(5.6)
Diluted (cents per share)	0.8	(5.6)

Notes to the financial statements form part of the Financial Report and are included on pages 11 to 17.

Condensed consolidated statement of financial position

as at 31 December 2009

	Note	Group	
		31 Dec 2009 \$'000	31 Dec 2008 \$'000
Current assets			
Cash and cash equivalents	3	7,761	5,488
Trade and other receivables		20,834	21,005
Inventories		451	-
Other financial assets		3,981	2,417
Intangible assets		2,530	2,632
Other		3,666	4,918
Total current assets		39,223	36,460
Non-current assets			
Property, plant and equipment		524	358
Deferred tax assets		10,686	11,720
Intangible assets		37,314	36,582
Other		-	156
Total non-current assets		48,524	48,816
Total assets		87,747	85,276
Current liabilities			
Trade and other payables		18,827	23,850
Borrowings		4,339	4,364
Other financial liabilities		-	379
Provisions		562	199
Total current liabilities		23,728	28,792
Non-current liabilities			
Borrowings		27,364	22,593
Other financial liabilities		2,890	2,778
Total non-current liabilities		30,254	25,371
Total liabilities		53,982	54,163
Net assets		33,765	31,113
Equity			
Issued capital		69,618	69,618
Reserves		9,448	7,898
Accumulated losses		(45,301)	(46,403)
Total equity		33,765	31,113
Net tangible assets per share			
Basic (cents per share)		(0.1)	(0.1)

Notes to the financial statements form part of the Financial Report and are included on pages 11 to 17.

Condensed consolidated statement of changes in equity as at 31 December 2009

	Issued capital	Share based payments reserve	Group Equity settled employee benefits reserve	Hedging reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2008	69,448	6,046	1,301	5,203	(36,516)	45,482
Profit/(loss) attributable to shareholders of the parent entity	-	-	-	-	(5,647)	(5,647)
Gain/(loss) on cash flow hedges	-	-	-	(4,037)	-	(4,037)
Income tax relating to components of other comprehensive income	-	-	-	1,209	-	1,209
Total comprehensive income/(loss) for the period	-	-	-	(2,828)	(5,647)	(8,475)
Issued of ordinary shares	170	-	-	-	-	170
Value of option on issue of convertible note	-	260	-	-	-	260
Value of share options issued	-	-	191	-	-	191
Balance at 31 December 2008	69,618	6,306	1,492	2,375	(42,163)	37,628
Balance at 1 July 2009	69,618	6,419	1,492	(13)	(46,403)	31,113
Profit for the period	-	-	-	-	1,102	1,102
Gain/(loss) on cash flow hedges	-	-	-	2,008	-	2,008
Income tax relating to components of other comprehensive income	-	-	-	(602)	-	(602)
Total comprehensive income/(loss) for the period	-	-	-	1,406	1,102	2,508
Value of share options issued	-	144	-	-	-	144
Balance at 31 December 2009	69,618	6,563	1,492	1,393	(45,301)	33,765

Notes to the financial statements form part of the Financial Report and are included on pages 11 to 17.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2009

	Note	Group	
		31 Dec 2009 \$'000	31 Dec 2008 \$'000
Cash flows from operating activities			
Receipts from customers		62,415	62,120
Payments to suppliers and employees		(63,967)	(69,641)
Interest received		162	363
Borrowing costs paid		(1,496)	(2,418)
Net cash used in operating activities		(2,886)	(9,576)
Cash flows from investing activities			
Payments for:			
Property, plant and equipment		(208)	(28)
Proceeds from/(payments for):			
Restricted cash		(282)	37
Net cash (used in)/provided by investing activities		(490)	9
Cash flows from financing activities			
Proceeds from issue of convertible notes		-	1,200
Proceeds from borrowings		8,850	9,488
Repayment of borrowings		(3,484)	(1,509)
Net cash used in financing activities		5,366	9,179
Net increase in cash and cash equivalents		1,990	(388)
Cash and cash equivalents at the beginning of the financial year		2,711	3,099
Cash and cash equivalents at the end of the financial year	3	4,701	2,711

Notes to the financial statements form part of the Financial Report and are included on pages 11 to 17.

NOTES TO THE FINANCIAL STATEMENTS

- 1 Significant accounting policies
- 2 Segment information
- 3 Reconciliation of cash and cash equivalents
- 4 Issuance of debt securities
- 5 Issuance, repurchase and repayment of equity securities
- 6 Seasonality of results

1. Significant accounting policies

Australian Power and Gas Company Limited (**Company**) is a public company listed on the Australian Stock Exchange (ASX) and trades under the symbol "APK". The Company was incorporated and operates in Australia. The financial report includes the separate financial statements of the Company and the consolidated financial report of Company and its controlled entities (**Group**).

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting* and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual report.

b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historic costs, except for the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

The company is of the kind referred to in the Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the directors' report and the half-year financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2009 financial report for the financial year ended 30 June 2009, except as noted below. No Australian Accounting Standards issued but not yet effected have been early adopted. It is not considered early adoption of these standards would have a material impact on the results of the Group.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised standards and interpretations have resulted in changes to the Group's accounting policies and presentation of, or disclosure in, its half year financial statements in the areas set out below.

Presentation of the financial statements

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

This revised standard also changes the title of other financial statements: the balance sheet is now termed the statement of financial position and the cash flow statement is now termed the statement of cash flows. Comparative information has been re-presented to comply with this revised standard. Since the change in accounting policy only effects presentation aspects, there is no impact on the financial position or performance of the Group.

Segment reporting

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

1. Significant accounting policies (continued)

b) Basis of preparation (continued)

Operating segments are identified on the basis of internal reports about components of the Group 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.

Comparative segment information has been restated to comply with the requirements of AASB8. Since the change in accounting policy only effects presentation and disclosure aspects, there is no impact on the financial position or performance of the Group. Refer to Note 2 for further details.

Business combinations

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

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

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

The adoption of revised AASB 3 (2008) did not have any impact on the financial position or performance of the Group as at and for the half year ended 31 December 2009.

Changes in ownership interests in subsidiaries

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

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, this revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in a former subsidiary's recognised at its fair value is recognised at its fair value at the date control is lost. A gain or loss is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments. The adoption of the revised AASB 127 (2008) did not have any impact on the financial position or performance of the Group as at and for the half year ended 31 December 2009.

1. Significant accounting policies (continued)

c) Going Concern

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. At 31 December 2009, the Group's total assets of \$87,747,000 exceeded total liabilities of \$53,982,000 and the Group's current assets of \$39,223,000 were exceeded by current liabilities of \$23,728,000.

For the year ended 31 December 2009 the Group recorded a profit before taxation of \$1,534,000, however net cash used by operating activities was \$2,886,000.

These results are in line with Management and Board expectations as the Company and Group undertake the development phase of their business. During the development phase the generation of sufficient funds from operating and financing activities in accordance with the Group's current business plan and growth forecasts is dependent on:

- the availability of financing facilities to fund working capital requirements; and
- increases in revenue and cash flows from current trading. This is dependent upon increases in customer numbers generating a cash inflow to offset the forecast expenditure.

As at 31 December 2009, the Group had the ability to draw upon a revolving facility agreement. The facility is secured over all the assets and businesses of the Group and has a 4-year term from 22 June 2007. The ability to drawdown funds under this facility is dependent on the level of receivables owing by customers and adherence to performance and other conditions. The conditions include:

- limitation of amount that can be drawn of 90% of the eligible receivables. The amount of eligible receivables is calculated by deducting from the gross amount of billed and unbilled receivables allowances for overdue debts and other contingencies. If the drawn balance exceeds this amount then the Group must reduce the drawn balance;
- adherence to targeted ratios for debtor ageing, ratio of accounts on payment plans and debt write off;
- adherence to targeted levels of net worth, minimum cash levels, and interest coverage; and
- other conditions normally found in secured loan facility agreements.

Should any of the conditions be breached it constitutes an event of default and the lender may demand repayment. If the Group operates within the conditions the facility is capable of being drawn to \$50 million. As at 31 December 2009 the facility has been drawn to \$20,813,000, the total available at that date.

The Group's current forecasts indicate that in order to meet the current business plans the ability to draw upon the currently available debt facility is required. As part of ongoing business operations and capital structure planning the Group and Company continues to investigate funding requirements and opportunities. In the event that sufficient cash flows from operations are not generated and/or the financial support of the Group's financiers is not sufficient, the Group would seek to implement alternative arrangements including the raising of further funds.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Company and Group's ability to secure the continued support of current financiers and/or other sources of funding. The ability of the Group to find support amongst existing and new investors has been demonstrated during the current financial year with the raising of \$2,500,000 via a debt facility (of which \$1,500,000 was provided by a related party). The Group continues to enjoy the support of its major lender for its business plan.

1. Significant accounting policies (continued)

c) Going Concern (continued)

As a growing entity that is dependent on the continued support of its current financiers and/or other sources of funding, there is significant uncertainty as to the ability of the Group to continue as going concerns and they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. Segment information

The Group has adopted AASB 8: *Operating Segments* and AASB 2008-3: *Amendments to Australian Accounting Standards* from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In contrast, the predecessor Standard (AASB 114: *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risk and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Groups' reportable segments has changed.

In prior years, segment information was not reported externally. However, information reported to the Group's Managing Director and Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer pertaining to geographical location. The principal categories of customer for these goods are direct sales to customers in the Group's operating segment in each state. The Group's reportable segments under AASB 8 are therefore as follows:

- Energy - Victoria
- Unallocated

'Unallocated' is the aggregation of the Group's other operating segments that are not separately reportable. Included in 'Unallocated' are operating segments currently located in New South Wales, Queensland, South Australia and Australian Capital Territory. South Australia and Australian Capital Territory at this stage are licensing costs only, no revenue has been derived from these states.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

2. Segment information (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment profit	
	31 Dec 2009 \$'000	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Continuing operations				
Energy - Victoria	59,388	29,134	17,662	4,598
Unallocated	1,405	2,383	(16,128)	(12,717)
	60,793	31,517		
Profit/(loss) before tax			1,534	(8,118)
Discontinued operations			-	-
Profit/(loss) before tax			1,534	(8,118)
Income tax benefit/(expense) (continuing and discontinued operations)			(432)	2,471
Consolidated segment revenue and profit/(loss) for the period	60,793	31,517	1,102	(5,647)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of administration costs and finance costs, income tax expense and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

	Group	
	31 Dec 2009 \$'000	30 Jun 2009 \$'000
Continuing operations		
Energy - Victoria	56,676	55,511
Unallocated assets	30,413	28,736
Total assets	87,747	85,276

3. Reconciliation of cash and cash equivalents

	Group	
	31 Dec 2009 \$'000	30 Jun 2009 \$'000
Cash and cash equivalents	7,761	5,488
Less: cash deposits subject to charge	3,060	2,777
Cash per cash flow statement	4,701	2,711
Movements in cash subject to a charge consisted of:		
Balance at beginning of financial period	2,777	2,814
Less: cash placed/(withdrawn) on deposit per cash flow statement	283	(37)
Balance at the end of the financial period	3,060	2,777

4. Issuance of debt securities

During the half-year reporting period the consolidated entity drew down or repaid the following amounts under its debt facilities:

- \$6,500,000 (2008: \$2,875,000) under a secured revolving term debt facility and an amount of \$1,127,000 (2008: \$334,000) was repaid during the period. Interest is payable monthly at the Bank Bill Swap Rate, plus a margin. The maturity date of the entire facility is June 2011, however amounts can become due early as the level of security afforded by the Group's assets (being primarily amounts owed by customers and cash) rises and falls.
- \$2,351,000 (2008: \$812,000) was repaid under a short-term debt facility by a mixture of cash and share issues. Interest was payable on this facility monthly at the fixed rate of 9.0% per annum. This facility was repaid in full.
- \$2,500,000 (2008: nil) was raised under an unsecured debt facility. Interest is payable quarterly at the rate of 20.0% per annum. The maturity date of this facility is December 2011.
- No convertible notes were issued (2008: \$1,200,000 was raised by the issue of 1,200 secured convertible notes, with a face value of \$1,000 each. Interest is payable half-yearly at a rate of 8.0% per annum. The secured notes are entitled to be converted to ordinary shares at an issue price of 20 cents each or repaid on maturity, at the option of the note holder. Maturity of these notes occurs in September 2010. Any notes not converted to ordinary shares of the Company will be required to be repaid at that time).
- No amounts were advanced or repaid under a loan agreement with a director (2008: \$1,800,000 was repaid under a short-term loan provided by a director by the issue of 1,800 secured convertible notes, with a face value of \$1,000 each. Interest is payable annually at a rate of 8.0%. The secured notes are entitled to be converted to ordinary shares at an issue price of 20 cents each or repaid on maturity, at the option of the note holder. Maturity of these notes occurs in September 2010. Any notes not converted to ordinary shares of the Company will be required to be repaid at that time).
- No amounts were advanced or repaid under a loan agreement with a significant shareholder (2008: \$350,000 advanced and \$500,000 repaid). The loan does not have a specified maturity date.

5. Issuances, repurchase and repayment of equity securities

During the half-year reporting period the Company did not issue any ordinary shares (2008: 938,458 ordinary shares at 18 cents per share).

During the half-year reporting period the following changes to share options occurred:

- (i) Employee share options
No share options (2008: 1,003,786) were issued during the half-year (2008 exercise price: \$0.35 and an expiry date of 1 October 2013). No share options were exercised (2008: nil).

453,586 share options expired unexercised (2008: 777,103 options)

- (ii) Director share options
1,000,000 share options (2008: 2,142,857) were issued to a director with a fair value at grant date of 3.92 cents per option, exercise price of \$0.20 and an expiry date of 1 July 2014 (2008: fair value at grant date \$0.10, exercise price \$0.35 to \$0.70 and an expiry date of 1 October 2013 to 30 October 2013). No share options were exercised (2008: nil).

551,799 share options expired unexercised (2008: 142,857)

- (iii) Other options
1,200,000 share options expired unexercised (2008: 1,714,285).

2,500,000 share options were issued with an exercise price of the minimum of 40 cents or a volume weighted exercise price immediate prior to the exercise of the options. The expiry date is 31 December 2014.

Payment rights of 1,200,000 were issued with an expiry date of 3 July 2012. Each right entitles the holder to the payment of an amount equal to the difference between \$0.35 and the quote share price of the Company, if the share price is greater than \$0.35. The rights can be exercised at any time between issue and expiry.

No options were issued in the corresponding prior period.

6. Seasonality of results

The Group's energy retailing business experiences seasonality in its results. The seasonality can arise from a number of factors, the primary one being the impact of weather on customer energy usages. This impact can be positive or negative depending on the influence of demand on wholesale energy prices in regions where the risk is not fully hedged.

The Board of Directors
Australian Power and Gas Company Limited
Level 9, 341 George Street
Sydney
NSW 2000

26 February 2010

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION TO AUSTRALIAN POWER AND GAS COMPANY 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 Australian Power and Gas Company Limited.

As lead audit partner for the review of the half year financial statements of Australian Power and Gas Company Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

B J Pollock

B J Pollock
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Australian Power and Gas Company Limited

We have reviewed the accompanying half-year financial report of Australian Power and Gas Company Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Power and Gas Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Power and Gas Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity made a profit before taxation of \$1,534,000 however net cash used by operating activities was \$2,886,000 for the half-year ended 31 December 2009. These conditions, along with other matters as set forth on Note 1(c), indicate the existence of a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



B J Pollock
Partner
Chartered Accountants
Sydney, 26 February 2010

Australian Power and Gas Company Limited
ABN 96 077 206 583

Locked Bag 5004
Royal Exchange NSW 1225

www.australianpowerandgas.com.au