

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 31. Deeds of cross guarantee

The wholly-owned subsidiaries identified in Note 27 have entered into a Deed of Cross Guarantee with AGL in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the Corporations Act 2001 requirement to prepare and lodge an audited financial report and directors' report. The effect of the deed is that each party guarantees the debts of the others.

The following wholly-owned subsidiaries became a party to the Deed of Cross Guarantee by way of an Assumption Deed dated 24 May 2019:

- AGL Shipping Pty Limited
- AGL LNG Pty Limited

Set out below is the 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.

#### Statement of profit or loss

	AGL Energy Limited		AGL Generation Pty Ltd	
	2019 \$m	Restated 2018 \$m <sup>1</sup>	2019 \$m	2018 \$m
Revenue	10,465	9,724	404	4
Other income	457	31	-	-
Expenses	(8,333)	(8,728)	(4)	(4)
Share of profits/(losses) of associates and joint ventures	33	39	(142)	1,335
Profit before net financing costs, depreciation and amortisation	2,622	1,066	258	1,335
Depreciation and amortisation	(437)	(403)	-	-
<b>Profit before net financing costs</b>	<b>2,185</b>	<b>663</b>	<b>258</b>	<b>1,335</b>
Finance income	85	86	-	-
Finance costs	(196)	(210)	(13)	(14)
<b>Net financing costs</b>	<b>(111)</b>	<b>(124)</b>	<b>(13)</b>	<b>(14)</b>
<b>Profit before tax</b>	<b>2,074</b>	<b>539</b>	<b>245</b>	<b>1,321</b>
Income tax (expense)/benefit	(442)	(141)	47	(396)
<b>Profit for the year</b>	<b>1,632</b>	<b>398</b>	<b>292</b>	<b>925</b>

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

#### Statement of comprehensive income

<b>Profit for the year</b>	<b>1,632</b>	<b>398</b>	<b>292</b>	<b>925</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurement (loss)/gain on defined benefit plans	(54)	15	(27)	20
Fair value gain on the revaluation of equity instrument financial assets	2	-	-	-
Income tax relating to items that will not be reclassified subsequently	12	(5)	8	(6)
	(40)	10	(19)	14
<i>Items that may be reclassified subsequently to profit or loss</i>				
Cash flow hedges	96	(159)	-	-
Cost of hedging basis adjustment	4	-	-	-
Equity instrument financial assets	-	(3)	-	-
Income tax relating to items that may be reclassified subsequently	(30)	48	-	-
	70	(114)	-	-
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<b>30</b>	<b>(104)</b>	<b>(19)</b>	<b>14</b>
<b>Total comprehensive income for the year</b>	<b>1,662</b>	<b>294</b>	<b>273</b>	<b>939</b>

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For the year ended 30 June 2019

## 31. Deeds of cross guarantee (cont.)

## Statement of financial position

	AGL Energy Limited		AGL Generation Pty Ltd	
	2019 \$m	Restated 2018 \$m <sup>1</sup>	2019 \$m	2018 \$m
<b>Current assets</b>				
Cash and cash equivalents	78	452	1	1
Trade and other receivables	1,526	1,522	-	1
Inventories	313	294	-	-
Current tax assets	89	147	-	-
Other financial assets	848	922	-	-
Other assets	60	71	-	4
Assets classified as held for sale	-	74	-	-
<b>Total current assets</b>	<b>2,914</b>	<b>3,482</b>	<b>1</b>	<b>6</b>
<b>Non-current assets</b>				
Trade and other receivables	-	-	-	319
Inventories	57	10	-	-
Other financial assets	3,287	3,459	5,032	4,712
Investments in associates and joint ventures	150	100	-	-
Property, plant and equipment	3,153	3,356	-	-
Intangible assets	2,816	2,343	-	-
Deferred tax assets	-	310	-	-
Other assets	39	64	-	-
<b>Total non-current assets</b>	<b>9,502</b>	<b>9,642</b>	<b>5,032</b>	<b>5,031</b>
<b>Total assets</b>	<b>12,416</b>	<b>13,124</b>	<b>5,033</b>	<b>5,037</b>
<b>Current liabilities</b>				
Trade and other payables	1,304	1,348	-	11
Borrowings	93	26	-	-
Provisions	192	179	-	-
Current tax liabilities	-	-	209	-
Other financial liabilities	596	2,014	-	-
Other liabilities	4	2	-	-
<b>Total current liabilities</b>	<b>2,189</b>	<b>3,569</b>	<b>209</b>	<b>11</b>
<b>Non-current liabilities</b>				
Borrowings	2,637	2,817	-	-
Provisions	405	435	-	-
Deferred tax liabilities	10	-	102	358
Other financial liabilities	204	259	1,432	151
Other liabilities	132	94	-	-
<b>Total non-current liabilities</b>	<b>3,388</b>	<b>3,605</b>	<b>1,534</b>	<b>509</b>
<b>Total liabilities</b>	<b>5,577</b>	<b>7,174</b>	<b>1,743</b>	<b>520</b>
<b>Net assets</b>	<b>6,839</b>	<b>5,950</b>	<b>3,290</b>	<b>4,517</b>
<b>Equity</b>				
Issued capital	6,223	6,223	2,878	2,878
Reserves	(33)	(102)	-	-
Retained earnings/(accumulated losses)	649	(171)	412	1,639
<b>Total equity</b>	<b>6,839</b>	<b>5,950</b>	<b>3,290</b>	<b>4,517</b>

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 31. Deeds of cross guarantee (cont.)

#### Summary of movements in (accumulated losses)/retained earnings

	AGL Energy Limited		AGL Generation Pty Ltd	
	2019 \$m	Restated 2018 \$m <sup>1</sup>	2019 \$m	2018 \$m
(Accumulated losses)/retained earnings at beginning of financial year	(171)	103	1,639	700
Profit for the year	1,632	398	292	925
Dividends paid	(774)	(682)	(1,500)	-
Remeasurement (loss)/gain on defined benefit plans, net of tax	(38)	10	(19)	14
<b>Retained earnings/(accumulated losses) at end of financial year</b>	<b>649</b>	<b>(171)</b>	<b>412</b>	<b>1,639</b>

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

### 32. Defined benefit superannuation plans

AGL contributes to superannuation plans that provide defined benefit 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.

The plans are the Equisuper 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 expose 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.

#### Amounts recognised in profit or loss

	2019 \$m	2018 \$m
Current service cost	17	20
Net interest expense	2	2
Expense recognised in profit or loss as part of employee benefits expenses	19	22

#### Amounts recognised in other comprehensive income

Remeasurements		
Return on plan assets (excluding amounts included in net interest expense)	(14)	(33)
Actuarial loss arising from changes in demographic assumptions	-	2
Actuarial loss/(gain) arising from changes in financial assumptions	96	(7)
Actuarial loss/(gain) arising from experience	8	(4)
Remeasurement loss/(gain) on defined benefit plans recognised in other comprehensive income	90	(42)