Australian Power and Gas Company Limited
Results for announcement to the market
Appendix 4D - Half year report
For half-year to 31 December 2011

ABN 96 077 206 583

1. Revenue and results

		$'000s	%		$'000s
Revenue	up by	73,208	72%	to	174,810
Profit after tax attributable to shareholders	up by	2,267	na	to	925
Underlying profit after tax attributable to shareholders	down by	(1,248)	55%	to	1,003

	2011 cents per share	2010 cents per share
2. Earnings per share		
Earnings per share (reported, undiluted)	0.52	(1.22)
Earnings per share (underlying, undiluted)	0.56	2.04
3. Net tangible earnings per share		
Net tangible assets per share (undiluted)	1.60	7.02
4. Dividends		
Dividend per share (100% unfranked)	0.53	0.00

A final unfranked dividend of $925,000 (2010: nil) in respect of the year ended 30 June 2011 was paid during the half-year to 31 December 2011. No dividends have been paid or declared in respect of the half-year period to 31 December 2011.

5. Commentary on results

A review of the results for the half-year ended 31 December 2011 is contained in the commentary for the half year attached to this announcement.

The reported after tax profit of $925,000 includes an after tax expense of $78,000 from the change in valuation of financial instruments. Underlying after tax profit, which better reflects the operating performance of the business, of $1,003,000 was recorded, down from $2,251,000 in the prior corresponding period. This result was in line with the revised forecast released to the ASX on 21 December 2011. The release outlined the effects that mild weather conditions had on the result for the period.

Changes in the value of financial instruments had minimal impact on the statutory result for the period as the overall movement in forward prices relative to previous valuation of financial instruments was minor.

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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 2011. 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	
Mr Shinji Wada	Non-executive director	appointed 1 July 2011

All Directors have held office for the entire period.

2. Review of operations and operating result

A commentary on the results for the period is contained in an attached statement on pages 4 to 10.

3. Dividends

A final unfranked dividend of $925,000 (2010: nil) in respect of the year ended 30 June 2011 was paid during the half-year to 31 December 2011. No dividends have been paid or declared in respect of the half-year period to 31 December 2011.

4. Auditor's independence declaration

The auditor's independence declaration is included on page 23 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

Ian McGregor
Chairman
29 February 2011

Australian Power and Gas Company Limited
Appendix 4D - Half year report
Commentary on the results
for the half-year ended 31 December 2011

The Directors of Australian Power and Gas Company Limited and its subsidiaries **(Group)** set out below a commentary on the financial results for the 6-month period ended 31 December 2011.

Underlying Result

The Statutory net profit after tax has been adjusted to exclude items that do not reflect on the continuing financial performance of the Group. The table below excludes these adjusting items from the results. The Directors believe that this presents a more accurate view of the financial results for the financial period.

Underlying results for the financial periods:	6 months 31 Dec 2011 $000s	6 months 31 Dec 2010 $000s	6 months 31 Dec 2009 $000s	Movement 31 Dec 2010 to 31 Dec 2011 $000s	%
Revenue and other income	**174,810**	**101,602**	**60,793**	**73,208**	**72.1%**
Energy costs	(133,255)	(72,559)	(43,115)	(60,696)	83.7%
Gross margin	**41,555**	**29,043**	**17,678**	**12,513**	**43.1%**
Other income	249	119	66	130	109.2%
Overheads	(29,147)	(18,440)	(11,356)	(10,707)	58.1%
Earnings before interest tax and depreciation	**12,657**	**10,722**	**6,388**	**1,936**	**18.1%**
Amortisation and depreciation	(8,310)	(5,151)	(3,143)	(3,159)	61.3%
Earnings before interest and tax	**4,347**	**5,571**	**3,245**	(1,223)	(22.0%)
Net finance costs	(2,914)	(2,355)	(1,711)	(559)	23.7%
Taxation	(430)	(964)	(432)	534	(55.4%)
Underlying net profit after tax	**1,003**	**2,251**	**1,102**	**(1,248)**	**(55.4%)**
Average customer accounts (number - refer below)	298,049	174,057	107,576		
Underlying net profit after tax per average customer account	$3	$13	$10	($10)	(74.0%)
Underlying net profit after tax as percentage of revenue (%)	0.6%	2.2%	1.8%		

Set out below is a reconciliation of the Statutory Profit to the Underlying Profit and comments on each item:

	6 months 31 Dec 2011 $000s	6 months 31 Dec 2010 $000s	6 months 31 Dec 2009 $000s	Movement 31 Dec 2010 to 31 Dec 2011 $000s	%
Statutory profit/(loss)	925	(1,342)	1,102	2,267	na
Adjustment for costs included in the statutory result, after tax:					
Finance costs	-	1,208	-	(1,208)	na
Hedges	78	2,385	-	(2,307)	na
Underlying profit after tax	**1,003**	**2,251**	**1,102**	**(1,248)**	**(55.4%)**

At 31 December 2011 the Group held hedges that provide fixed priced electricity wholesale costs in the Victorian, New South Wales and Queensland markets. These hedges cover the expected volume of electricity that will be used by Australian Power and Gas customers until December 2013. Under Australian Accounting Standards movements in the forward prices of electricity result in an accounting loss or gain that is recorded at each reporting date. As the value of the electricity price forward curve has moved during the period since the last reporting date (30 June 2011) a pre-tax loss of $111,000 ($78,000 after tax) has been recognised.

The hedge agreements contain a clause relating to the pass through of the proposed carbon tax by the Australian Federal Government. As a result of the uncertainty surrounding the ability of Australian Power and Gas to pass through this cost to its customers, the hedges are defined by Australian accounting standards as "ineffective" and their movement in value is required to be recorded in the Statement of Comprehensive Income.

The Directors believe that the adjustment to Statement of Comprehensive Income arising from the changes in the value of hedges at each reporting period does not reflect accurately the operating results of the Group's activities. Retail pricing is set with reference to the expected costs under the fixed price hedges and the expected operating margins are forecast accordingly. There is, therefore, a matching of forecast revenue and costs during the term of the hedges and the need for recording the movement in value from changes in forward prices at intermediate reporting periods is unnecessary and could be misleading to investors.

Customer accounts

Active (billable) customer accounts at 31 December 2011 totalled 323,655 (June 2011: 272,443), an increase of 51,212 accounts since the last reporting period. Customer acquisition continues to expanded in New South Wales and Queensland markets, with over 39,000 accounts being added in these markets. Growth in Victoria was maintained with over 12,000 accounts added. At 31 December 2011, 69% of customer accounts are located in Victoria, with the balance in New South Wales and Queensland. Approximately 63% of customer accounts were for electricity supply and the remainder gas.

	31 Dec 2011	30 June 2011	31 Dec 2010	Movement 30 June 2011 to 31 Dec 2011	
	No.	No.	No.	No.	%
Customer accounts by state and product					
Victoria					
Electricity	119,405	113,961	97,643	5,444	4.8%
Gas	104,245	97,620	79,161	6,625	6.8%
	223,650	211,581	176,804	12,069	5.7%
New South Wales					
Electricity	55,787	35,065	12,945	20,722	59.1%
Gas	12,158	984	-	11,174	1135.6%
	67,945	36,049	12,945	31,896	88.5%
Queensland					
Electricity	27,987	22,002	12,164	5,985	27.2%
Gas	4,073	2,811	1,126	1,262	44.9%
	32,060	24,813	13,290	7,247	29.2%
Total customer accounts	**323,655**	**272,443**	**203,039**	**51,212**	**18.8%**
Customer accounts by product					
Electricity	203,179	171,028	122,752	32,151	18.8%
Gas	120,476	101,415	80,287	19,061	18.8%
Total customer accounts	**323,655**	**272,443**	**203,039**	**51,212**	**18.8%**
Average customer accounts (number)	**298,049**	**237,741**	**174,057**	**60,308**	**25.4%**
(Calculation = opening plus closing accounts divided by 2)					

Energy usage

Total energy usage by customers during the period increased compared to the prior period due to the continued growth in customer accounts. Average electricity usage was 9.3% below the prior period and gas usage, largely Victorian based, fell by around 18.6% below the prior period. Mild temperature conditions in all 3 states, particularly in Victoria, contributed to usage being below longer term averages.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Electricity used by customers (MWh)	551,439	296,046	183,808	255,393	86.3%
Gas used by customers (Gj)	3,192,434	2,676,707	1,701,203	515,727	19.3%
Average electricity usage per average customer account	5.2	5.7	6.0	(0.53)	(9.3%)
Average gas usage per average customer account (Gj/annum)	50.5	62.0	64.4	(11.52)	(18.6%)
(Note: average usage has been annualised by applying a profile of usage pattern)					

Revenue

Revenue earned during the financial period totalled $174.8 million (December 2010: $101.6 million). Total revenue has increased substantially due to the continuing customer acquisition program, however was below forecast by $26 million due to mild weather conditions affecting customer usage. Annualised average revenue per billable account increased to $1,152 (December 2010: $1,066). This reflects the combination of a change in mix of the customer base to include New South Wales and Queensland and retail price increases which occurred during the period.

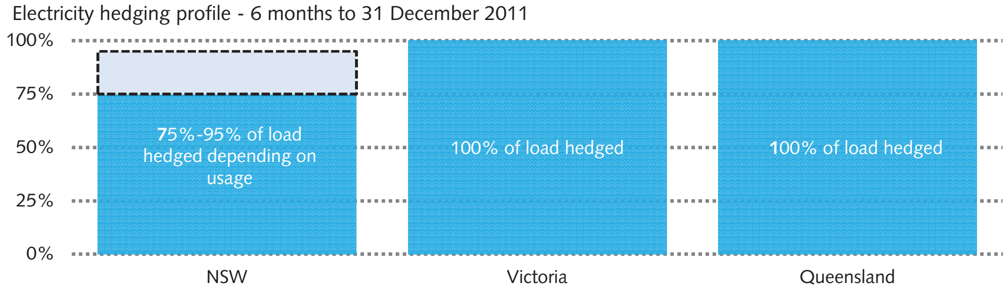
	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Victoria	$122,581	$93,211	$59,387	29,370	31.5%
New South Wales	$17,013	$3,888	$849	13,125	337.6%
Queensland	$35,216	$4,503	$554	30,713	682.0%
Total revenue	**$174,810**	**$101,602**	**$60,790**	**73,208**	**72.1%**
Average customer accounts (number)	298,049	174,057	107,576	123,992	71.2%
Revenue per average customer account ($/account)	$1,152	$1,066	$940	$86	8.1%
Growth rate of revenue per average customer account (%)	4.5%	12.9%	1.8%		

Wholesale costs and gross margin

Wholesale cost were $133.2 million (December 2010: $72.6 million), excluding expensing the changes in hedge valuations of $0.1 million (2010: negative $3.4 million). The resulting gross margin was $41.5 million (December 2010: $29.0 million), an increase of 43.1%.

The Group has fixed price and reallocation agreements with major generators of electricity in Victoria and Queensland that substantially mitigate wholesale pricing risks. These agreements cover the period until December 2013 (in Victoria there is also a one year option to extend the arrangement). These agreements ensured that electricity wholesale costs in Victoria and Queensland during the reporting period were fixed for all of the electricity used by the Group's customers. In New South Wales most of the forecast load during the reporting period was hedged via a mixture of financial instruments.

Electricity hedging profile - 6 months to 31 December 2011



The Group has a number of gas supply and pricing agreements with major gas suppliers that extend until December 2014. The agreements ensure that costs of the Victorian gas usage will be substantially within a known range. Similar arrangements for the New South Wales and Queensland markets are also in place.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Revenue (excluding other income)	174,810	101,602	60,790	73,208	72.1%
Underlying energy costs	(133,255)	(72,559)	(43,115)	(60,696)	83.7%
Underlying gross margin	**41,555**	**29,043**	**17,675**	**12,513**	**43.1%**
Average customer accounts (number)	298,049	174,057	107,576	123,992	71.2%
Underlying gross margin per average customer account	$139	$167	$164	(27)	(16.4%)

Operating expenses

Operating expenses for the period totalled $29.1 million up from $18.4 million in the December 2010 period, which was in line with the growth of the business. Measured on a per customer account basis, overheads fell to $98 from $106. As a percentage of the underlying gross margin earned operating costs increased to 70.1% up from 63.5% in the prior period. The increase in this metric occurred mainly from the reduced gross margin contribution from lower customer usage. The main categories of expenses were:

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Employee benefits expense	5,413	4,606	3,482	807	17.5%
Administration expenses	1,523	1,351	1,406	172	12.8%
Operational expense	16,356	9,316	4,116	7,040	75.6%
Bad debts allowance	4,368	2,235	1,089	2,133	95.4%
Sales and marketing expense	1,487	932	1,263	555	59.6%
	29,147	18,440	11,356	10,707	58.1%
Average customer accounts (number)	298,049	174,057	107,576	123,992	71.2%
Operating costs per average customer account ($/account)	$98	$106	$106	($8)	(7.7%)
Operating costs as percentage of gross margin (%)	70.1%	63.5%	64.2%	na	na
Operating costs as percentage of revenue (%)	16.7%	18.1%	18.7%	na	na

Employee benefits expense	Full time employees (equivalent) at 31 December 2011 numbered 80 (December 2010: 64). Staff numbers increased during the period to manage the higher level of customer
Administration expenses	Administration expenses grew by 12.8%
Operational expenses	The costs of servicing customers and reflected the growth of the customer base. Operating costs are predominately based on a fixed rate per customer account via an outsourced arrangement with a provider of back office services. This agreement has a further 4 years of operation.
Bad debts allowance	Increased due to the growth in size and complexity of the customer base
Sales and marketing expense	Primarily related to promotion and other sales supporting activities.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Underlying EBITDA for the period was a positive $12.6 million (December 2010: $10.7 million) and reflects the achievement of a sufficiently large customer base to generate positive operating results, before write down of customer acquisition and financing costs. This contribution was below forecast due to the effect of mild weather conditions on customer usage as noted above.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Revenue	174,810	101,602	60,790	46,290	36.0%
EBITDA	12,657	10,722	6,388	2,273	21.9%
Average customer accounts (number)	298,049	174,057	107,576		
EBITDA per average customer account ($/account)	$42	$62	$59	($1)	(2.8%)
EBITDA / revenue (%)	7.2%	10.6%	10.5%	na	na

Amortisation and depreciation

Depreciation and amortisation of $8.3 million (December 2010: $5.1 million) comprised mainly the amortisation of customer acquisition costs and recording costs. Customer acquisition and recording costs are amortised over the expected life of the contract, which are between one and three years.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Equipment depreciation	418	246	41	310	287.0%
Customer acquisition costs:					
Current amortisation	5,236	3,600	2,656	2,424	86.2%
Write down of lost accounts	2,656	1,305	446	(731)	(21.6%)
	7,892	4,905	3,102	1,693	27.3%
Total amortisation and depreciation	**8,310**	**5,151**	**3,143**	**2,003**	**31.8%**
Average customer accounts (number)	298,049	174,057	107,576	123,992	52.2%
Current amortisation per average account ($/account)	$18	$21	$25	($3)	(15.1%)
Amortisation and depreciation / revenue (%)	4.8%	5.1%	5.2%	na	na
Net increase in customer accounts (number)	51,212	57,965	14,952	(6,753)	(11.7%)
Net expenditure on customer acquisition ($000s) (refer below)	$7,839	$8,433	$2,773	($594)	(7.0%)
Average cash cost of acquisition per net account added	$153	$145	$185	32	21.7%

The Group's annual acquisition expenditure consists of costs resulting from the replacement of customer accounts that have churned to other retailers ("account replacement") and growth of the customer base ("growth"). During the reporting period increased termination fees offset some of the costs of maintaining the existing customer base, compared to prior periods.

Account replacement (maintenance of existing customer base)	3,230	2,926	1,353	304	10.4%
Growth expenditure (new accounts)	4,609	5,507	1,420	(898)	(16.3%)
Total acquisition expenditure	7,839	8,433	2,773	(594)	(7.0%)

Net financing costs

Net financing costs of $2.9 million (December 2010: $4.1 million) consisted of interest costs of convertible instruments and debt facilities, and other finance charges. Interest paid on loans increased during the period in line with the increase in the amount of loans advanced to the Group. Interest on deposits also increase due to the larger amounts provided as security to industry counter parties.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Interest paid on borrowings	2,873	2,068	1,495	805	38.9%
Interest paid on convertible notes	182	394	241	(212)	(53.7%)
Interest received on deposits	(470)	(331)	(97)	(139)	41.9%
Other costs of borrowing	328	224	72	104	46.4%
Underlying finance expense	2,913	2,355	1,711	559	23.7%
Convertible note placement fees	-	530	-	(530)	na
Valuation of options attached to convertible notes	-	974	-	(974)	na
Embedded interest rate option expense	-	222	-	(222)	na
	-	1,726	0	(1,726)	(100.0%)
Statutory finance expense	**2,913**	**4,081**	**1,711**	**(1,167)**	**(28.6%)**
Average customer accounts (number)	298,049	174,057	107,576	123,992	71.2%
Underlying finance expense per average account ($/account)	$10	$14	$16	(4)	(27.8%)
Underlying finance expense / revenue (%)	1.7%	2.3%	2.8%	na	na

Operating and investing cash flow

The cash shortfall from operations and investing totalled $5.4 million (December 2010: $10.9 million). Customer acquisition costs of $7.8 million contributed significantly towards the shortfall. Customer growth also leads to an increase in working capital requirements due to the industry billing cycles and weather conditions that affect customer usage. Included in operating cash flow is the payment in advance or provision of bank guarantees to energy market counter parties for credit support, which is a normal requirement within the energy industry. Credit support provided during the period was reduced by $1.0 million (December 2010: reduction $0.3 million).

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Customer payments	179,133	105,026	62,415	74,107	70.6%
Payments to suppliers and employees	(171,324)	(102,954)	(59,850)	(68,370)	66.4%
Underlying operating cash flow	**7,809**	**2,072**	**2,565**	**5,737**	**276.9%**
Customer acquisition costs	(7,839)	(8,433)	(2,773)	594	(7.0%)
Net finance costs	(4,675)	(4,423)	(1,334)	(252)	5.7%
Equipment and systems development	(1,731)	(535)	(208)	(1,196)	223.5%
Credit support (deposits and prepayments)	998	350	(1,626)	648	185.1%
Operating and investing cash flow	**(5,438)**	**(10,969)**	**(3,376)**	**5,531**	**(50.4%)**

The cash flow shortfall was funded by cash on hand, debt and equity totalling $5.4 million. Debt was reduced by a net of $0.7 million which included the repayment of a short term loan of $2.7 million. Equity of $2.8 million was raised upon the conversion of options. A dividend of $0.9 million relating to the 2011 financial year was paid during the period.

	6 months 31 Dec 2011	6 months 31 Dec 2010	6 months 31 Dec 2009	Movement 31 Dec 2010 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Net debt advanced/(repaid)	(700)	4,187	5,366	(4,887)	na
Net proceeds from ordinary share issues	2,750	14,618	-	(11,868)	(81.2%)
Dividend paid	(925)	-	-	(925)	na
Reduction/(increase) cash on deposit	4,313	(7,835)	(1,990)	12,148	na
Financing cash flow and cash balance movement	**5,437**	**10,969**	**3,376**	**(5,532)**	**(50.4%)**

Cash and debt

The Group had cash at 31 December 2011 of $17.8 million, down $2.1 million from June 2011. The cash balance including amounts held as security for guarantees issued to suppliers of $10.7 million (June 2011: $8.4 million). Net cash decreased by $4.3 million. The Group targets a minimum cash reserve to ensure that there are sufficient funds on hand to address any liquidity issues that may arise from wholesale market volatility, to meet debt facility requirements and credit support requirements of energy industry counter parties. The underlying net debt to equity ratio of the Group at 31 December 2011 was 71% (June 2011: 68%).

	31 Dec 2011	30 June 2011	31 Dec 2010	Movement 30 June 2011 to 31 Dec 2011	
	$000s	$000s	$000s	$000s	%
Cash (Note 3)	17,814	19,900	17,429	(2,086)	(10.5%)
Less amounts held to secure bank guarantees	(10,713)	(8,484)	(4,129)	(2,229)	26.3%
Net cash	**7,101**	**11,416**	**13,300**	**(4,315)**	**(37.8%)**
Debt	53,012	53,691	38,247	(679)	(1.3%)
Adjust convertible notes to face value	188	209	253	(21)	na
Adjusted debt	**53,200**	**53,900**	**38,500**	**(700)**	**(1.3%)**
Underlying net debt	**46,100**	**42,484**	**25,200**	**3,616**	**8.5%**
Equity	54,024	51,274	53,449	2,750	5.4%
Add back after tax effect of financial instruments	11,130	11,060	2,008	70	0.6%
Adjusted equity	**65,154**	**62,334**	**55,457**	**2,820**	**4.5%**
Underlying net debt to adjusted equity ratio	**71%**	**68%**	**45%**	**na**	**103.8%**

Adjusted debt consisted of (amounts shown at face value of debt):					
Working capital facility (maturity December 2012)	49,200	47,200	31,800	2,000	4.2%
Convertible notes (maturity December 2012)	4,000	4,000	4,000	-	na
Loan (maturity December 2011)	-	2,700	2,700	(2,700)	na
Adjusted debt	**53,200**	**53,900**	**38,500**	**(700)**	**(1.3%)**

Receivables

The Group had at 31 December 2011 a total of $66.9 million (June 2011: $71.3 million) of invoiced and unbilled debtors. The reduction in the total amount and days outstanding of accrued debtors compared to June 2011 reflects seasonal factors on customer usage and amounts owing. Customers are invoiced on either a 2 or 3 monthly cycle, which is dependant on meter reading cycles. Customers have approximately 14 business days from invoice date to settle amounts owing. These industry characteristics result in approximately 60% of amounts beng unvoiced.

	31 Dec 2011 $000s	30 June 2011 $000s	31 Dec 2010 $000s	Movement 30 June 2011 to 31 Dec 2011 $000s	%
Invoiced debtors	33,759	28,945	17,845	4,814	16.6%
Unbilled and other debtors	43,475	52,221	28,764	(8,746)	(16.7%)
	77,234	81,166	46,609	(3,932)	**(4.8%)**
Allowance for doubtful debts	(10,352)	(9,793)	(6,394)	(559)	5.7%
Net debtors	**66,882**	**71,373**	**40,215**	**(4,491)**	**(6.3%)**
Average days outstanding - invoiced (days)	24	27	21	(3)	(10.1%)
Average days outstanding - unbilled (days)	45	74	52	(29)	(38.8%)
Average days outstanding - combined (days)	69	101	73	(32)	(31.1%)

Payables

The Group had at 31 December 2011 a total of $39.4 million (June 2011: $44.9 million) of invoiced and accrued payables. The reduction in the total amount and days outstanding of accrued payables reflects seasonal factors on customer usage and the resulting amounts payable to energy counter parties. Payables are generally paid monthly. Accrued amounts relate to energy charges which are billed and payable in advance of customer invoicing.

	31 Dec 2011 $000s	30 June 2011 $000s	31 Dec 2010 $000s	Movement 30 June 2011 to 31 Dec 2011 $000s	%
Invoiced amounts	5,638	4,921	6,831	717	14.6%
Accrued and other creditors	33,797	40,069	17,555	(6,272)	(15.7%)
Total creditors	**39,435**	**44,990**	**24,386**	(5,555)	**(12.3%)**
Average days outstanding - invoiced (days)	6	9	12	(3)	(33.4%)
Average days outstanding - accrued (days)	35	72	32	(37)	(51.0%)
Average days outstanding - combined (days)	41	81	44	(40)	(49.1%)

Working capital employed

	31 Dec 2011 $000s	30 June 2011 $000s	31 Dec 2010 $000s	Movement 30 June 2011 to 31 Dec 2011 $000s	%
Net debtors	66,882	71,373	40,215	(4,491)	(6.3%)
Inventory	3,120	1,565	593	1,555	99.4%
Other current assets (prepayments)	5,879	10,087	5,998	(4,208)	(41.7%)
Cash held as security for bank guarantees	10,713	8,486	4,129	2,227	26.2%
Trade and other payables	(39,435)	(44,990)	(24,386)	5,555	(12.3%)
Provisions	(635)	(788)	(883)	153	(19.4%)
Other liabilities	(2,500)	(5,000)	(5,000)	2,500	(50.0%)
Working capital	**44,024**	**40,733**	**20,666**	**3,291**	**8.1%**
Working capital per account ($/account)	$136	$150	$102	-$13	(9.0%)
Working capital ratio	2.0	1.8	1.7	0.2	12.9%

Australian Power and Gas Company Limited

Appendix 4D - Half year report
Directors' declaration
for the half-year ended 31 December 2011

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
29 February 2011

Australian Power and Gas Company Limited
Appendix 4D - Half year report
Consolidated statement of comprehensive income
for the half-year ended 31 December 2011

	Half-year ended 31 Dec 2011 $'000	Half-year ended 31 Dec 2010 $'000
Continuing operations		
Revenue	174,810	101,602
Other income	249	119
Expenses	(162,513)	(94,406)
Profit before finance costs, depreciation and amortisation	12,546	7,315
Depreciation and amortisation	(8,310)	(5,151)
Profit before finance costs	4,236	2,164
Finance costs	(2,914)	(4,081)
Profit/(loss) before tax	1,322	(1,917)
Income tax benefit/(expense)	(397)	575
Profit/(loss) attributable to shareholders of the parent entity	**925**	**(1,342)**
Other comprehensive income/(loss)		
Net gain/(loss) on cash flow hedges	-	1,660
Income tax	-	(492)
Total comprehensive income for the year	**925**	**(174)**
Earnings per share (continuing operations)		
Basic (cents per share)	0.52	(1.22)
Diluted (cents per share)	0.49	(1.22)

Notes to the financial statements form part of the Financial Report and are included on pages 16 to 22.

Australian Power and Gas Company Limited
Appendix 4D - Half year report

Consolidated statement of financial position

as at 31 December 2011

	Note	As at 31 Dec 2011 $'000	As at 30 Jun 2011 $'000
Current assets			
Cash and cash equivalents	3	17,814	19,900
Trade and other receivables		66,882	71,373
Inventories		3,120	1,565
Intangible assets		11,688	9,819
Other		5,879	10,087
Total current assets		**105,383**	**112,744**
Non-current assets			
Property, plant and equipment		689	775
Deferred tax assets		16,532	16,927
Intangible assets		39,472	41,087
Other		3,431	-
Total non-current assets		**60,124**	**58,789**
Total assets		**165,507**	**171,533**
Current liabilities			
Trade and other payables		39,435	44,990
Borrowings	5	53,012	2,700
Other financial liabilities		18,401	18,290
Provisions		635	788
Total current liabilities		**111,483**	**66,768**
Non-current liabilities			
Borrowings		-	50,991
Other financial liabilities		-	2,500
Total non-current liabilities		-	53,491
Total liabilities		**111,483**	**120,259**
Net assets		**54,024**	**51,274**
Equity			
Issued capital	4	105,064	98,790
Reserves		8,171	11,695
Accumulated losses		(59,211)	(59,211)
Total equity		**54,024**	**51,274**
Net tangible assets per share			
Basic (cents per share)		1.60	7.02
Diluted (cents per share)		1.51	5.69

Notes to the financial statements form part of the Financial Report and are included on pages 16 to 22.

Consolidated statement of changes in equity

for the half-year ended 31 December 2011

	Issued capital	Options reserve	Equity settled employee benefits reserve	Hedging reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	69,647	7,017	2,161	(1,168)	(49,676)	27,981
Profit for the period	-	-	-	-	(1,342)	(1,342)
Gain/(loss) on cash flow hedges	-	-	-	1,660	-	1,660
Income tax relating to components of other comprehensive income	-	-	-	(492)	-	(492)
Total comprehensive income/(loss) for the period	-	-	-	1,168	(1,342)	(174)
Issues of ordinary shares	15,518	-	-	-	-	15,518
Conversion of convertible notes	9,300	-	-	-	-	9,300
Issue of shares to employees	46	-	-	-	-	46
Share issue costs, net of tax	(630)	-	-	-	-	(630)
Value of share options issued (convertible notes)	-	1,455	(46)	-	-	1,409
Balance at 31 December 2010	**93,881**	**8,472**	**2,115**	**-**	**(51,018)**	**53,450**

	Issued capital	Options reserve	Equity settled employee benefits reserve	Hedging reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	98,790	9,172	2,523	-	(59,211)	51,274
Profit for the period	-	-	-	-	925	925
Issues of ordinary shares upon conversion of optior	2,750	-	-	-	-	2,750
Fair value of options converted to equity	3,524	(3,451)	(73)	-	-	-
Dividends paid	-	-	-	-	(925)	(925)
Balance at 31 December 2011	**105,064**	**5,721**	**2,450**	**-**	**(59,211)**	**54,024**

Notes to the financial statements form part of the Financial Report and are included on pages 16 to 22.

Australian Power and Gas Company Limited
Appendix 4D - Half year report
Consolidated statement of cash flows
for the half-year ended 31 December 2011

	Note	Half-year ended 31 Dec 2011 $'000	Half-year ended 31 Dec 2010 $'000
Cash flows from operating activities			
Receipts from customers		179,133	105,026
Payments to suppliers and employees		(171,324)	(102,954)
		7,809	2,072
Prepayments to counter parties (credit support)		3,225	1,237
Payments for customer acquisition		(7,839)	(8,433)
Interest received		718	450
Borrowing costs paid		(5,393)	(4,873)
Net cash used in operating activities		**(1,480)**	**(9,547)**
Cash flows from investing activities			
Payments for:			
Property, plant and equipment		(116)	(535)
Intangibles (systems development)		(1,615)	-
Payments for:			
Restricted cash		(2,227)	(887)
Net cash (used in)/provided by investing activities		**(3,958)**	**(1,422)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		2,750	15,518
Expenses on issue of ordinary shares		-	(900)
Dividends paid		(925)	-
Proceeds from issue of convertible notes		-	200
Proceeds from borrowings		2,000	7,500
Repayment of borrowings		(2,700)	(3,513)
Net cash provided by financing activities		**1,125**	**18,804**
Net increase in cash and cash equivalents		(4,313)	7,835
Cash and cash equivalents at the beginning of the half year		11,414	5,465
Cash and cash equivalents at the end of the half year	3	**7,101**	**13,300**

Notes to the financial statements form part of the Financial Report and are included on pages 16 to 22.

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 financial statements of the consolidated financial report of the Company and its controlled entities (Group).

a) Statement of compliance

The half year 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. The half year report should be read in conjunction with the Groups annual financial report for the year ended 30 June 2011 and any public announcements made by the Group during the half year ended 31 December 2011 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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 financial report for the year ended 30 June 2011, 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 the amendments listed below has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

- AASB 124 'Related Party Disclosures' (2009), AASB 2009-12 'Amendments to Australian Accounting Standards'

1. Significant accounting policies (continued)

- AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 ' Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'
- AASB 1054 'Australian Additional Disclosures', AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project'
- AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2010-5 'Amendments to Australian Accounting Standards'
- AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'

c) Working capital deficiency

At 31 December 2011, the Group's total assets of $165,507,000 exceeded total liabilities of $111,483,000. However the Group's working capital consisted of a deficit of current assets of $105,383,000 compared to current liabilities of $111,483,000. This occurred primarily as a result of a revolving debt facility being classified as a current liability as at 31 December 2011.

As at 31 December 2011, the Group had the ability to draw upon a revolving debt facility agreement ("the Facility'). The Facility has been in place with the same lender since May 2007 and is secured over all the assets and businesses of the Group. The Group continues to have the ability to draw upon the Facility which is due to expire on 22 December 2012. As this date is less than 12 months from the reporting date, the Facility is included as a current liability. Excluding the Facility from current liabilities would result in a positive working capital balance.

The ability to drawdown funds under the Facility is dependent on the level of receivables owing by customers and adherence to performance and other conditions. If the Group operates within the above conditions the Facility is capable of being drawn to $50,000,000. As at 31 December 2011 the Facility had been drawn to $49,200,000, of the total of $50,000,000 available at that date. The Group's current forecasts indicate that in order to meet the current business plans the ability to maintain the Facility or similar structure is required.

This Facility has been one of the fundamentals that has enabled the Group to grow its business as is the ongoing process of renewal and renegotiation of this financing facility each time it comes to maturity. The Board will always be looking to start identify financial options six to twelve months out from maturity with the aim to complete due diligence and signed agreement in the six months prior to maturity. The Board thinks it is unlikely that commitment could be received for refinancing prior to this period, as the financier will always requires the latest financial data prior to commitment.

1. Significant accounting policies (continued)

The Facility can be refinanced from 1 July 2012 without further fees or penalties. In the period to the date of signing this financial report the Group has been in discussion with potential lenders to renew and or replace the Facility. The discussions have progressed to the point where two parties have presented to the Group's Refinancing sub-committee (appointed by the Board) and term sheets to the Group. The term sheets are subject to due diligence, and one has been accepted and is currently under going a due diligence process. The second party will be commencing due diligence after the first party has completed their review.

Discussions are also in progress with the existing lender and other parties who have expressed interest in providing financial arrangements. As of the date of this report these parties have not received their internal credit signoff and therefore have not provided term sheets to the Group. The Directors are confident that these discussions will be successfully concluded by 30 June 2012 and a roll over of the Facility either with the existing lender or a new lender will be achieved by the end of August 2012.

2. Segment information

The Group supplies electricity and gas to the customers in the retail energy market in the eastern Australian states. Information reported to the chief operating decision maker (the Chief Executive Officer) for the purpose of resource allocation and assessment of segment performance focuses on the goods and services provided within each market. The Group views its segments based on geographical location and has disclosed its reportable segments above on this basis. The Group's reportable segments are as follows:

- Energy - Victoria
- Energy - Queensland
- Energy - New South Wales
- Unallocated

There was no single customer that accounted for more than 10% of the Group's revenue during the current or prior financial period.

a) Revenue and results by reportable operating segments

	Segment Revenue		Segment Profit	
	Half-year ended 31 Dec 2011 \$'000	**Half-year ended 31 Dec 2010 \$'000**	**Half-year ended 31 Dec 2011 \$'000**	**Half-year ended 31 Dec 2010 \$'000**
Energy - Victoria	122,581	93,211	27,537	24,602
Energy - Queensland	17,013	4,503	3,101	963
Energy - New South Wales	35,216	3,888	2,916	73
Total	**174,810**	**101,602**	**33,554**	**25,638**
Central administration, marketing and employment costs			(29,318)	(23,474)
Finance costs			(2,914)	(4,081)
Profit/(loss) before tax			**1,322**	**(1,917)**

2. Segment information (continued)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of administration, marketing and employment costs, amortisation and depreciation, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b) Assets and liabilities by reportable operating segment

	31 Dec 2011 $'000	30 June 2011 $'000
Segment assets		
Energy - Victoria	108,809	119,377
Energy - Queensland	9,464	7,112
Energy - New South Wales	21,464	14,222
Unallocated	25,770	30,823
Total assets	165,507	171,533

	31 Dec 2011 $'000	30 June 2011 $'000
Segment liabilities		
Energy - Victoria	16,795	23,563
Energy - Queensland	3,455	2,970
Energy - New South Wales	7,755	5,447
Unallocated	83,478	88,279
Total liabilities	111,483	120,259

c) Other information

	Depreciation and amortisation		Additions to acquisition costs	
	Half-year ended 31 Dec 2011 $'000	Half-year ended 31 Dec 2010 $'000	Half-year ended 31 Dec 2011 $'000	Half-year ended 31 Dec 2010 $'000
Energy - Victoria	5,453	4,905	8,378	9,925
Energy - Queensland	782	-	166	-
Energy - New South Wales	1,657	-	563	-
Unallocated	418	246	-	-
Total assets (continuing operations)	8,310	5,151	9,107	9,925

2. Segment information (continued)

d) Revenue from major products and services

	Half-year ended 31 Dec 2011 $'000	Half-year ended 31 Dec 2010 $'000
Revenue		
Electricity	124,277	62,136
Gas	50,533	39,466
	174,810	101,602
Other income		
Net foreign exchange gain	-	-
Other income	249	119
	249	119

3. Reconciliation of cash and cash equivalents

	31 Dec 2011 $'000	30 June 2011 $'000
Cash and cash equivalents	17,814	19,900
Less: cash deposits subject to charge	10,713	8,486
Cash per cash flow statement	**7,101**	**11,414**
Movements in cash subject to a charge consisted of:		
Balance at beginning of financial period	8,486	3,242
Add: cash placed on deposit per cash flow statement	2,227	5,244
Balance at the end of the financial period	**10,713**	**8,486**

4. Issuances, repurchase and repayment of equity securities

During the half-year reporting period the company issued 10,915,935 (2010: 63,880,135) ordinary shares. The issues made were:

- 7,142,858 share options were converted into 7,142,858 ordinary shares. A premium of $0.21 per option totalling $1,500,000 was paid on conversion.
- 3,571,428 share options were converted into 3,571,428 ordinary shares. A premium of $0.35 per option totalling $1,250,000 was paid on conversion.
- 883,174 employee share options were cashless converted into 201,649 ordinary shares.

During the current half-year reporting period there were no changes to share options on issue other than as noted above. The following changes to share options occurred during the corresponding prior financial period:

- Employee share options
  296,968 share options were exercised via a cashless exercise into 77,520 ordinary shares.
  2,136,642 share options expired unexercised.
- Director share options
  1,000,000 share options were issued to directors with a fair value at grant date of fair value $0.09, exercise price $0.50 to $0.55 and an expiry date of 30 October 2014. No share options were exercised.
  1,900,000 share options expired unexercised or were forfeited.
- Other options
  5,000,000 share options were issued with an exercise price of $0.55, an expiry date of 31 December 2013 and fair value of $0.05 each.
  18,900,000 share options were issued with an exercise price of $0.60, an expiry date of 31 December 2013 and fair value of $0.05 each.
  6,285,690 share options expired unexercised.

5. Borrowings

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

- $2,000,000 (2010: $7,500,000) was drawn and $nil (2010: $3,513,000) was repaid during the period under a secured revolving term debt facility. Interest is payable monthly at the Bank Bill Swap Rate, plus a margin. The maturity date of the facility is December 2012, however amounts can become due if the level of security afforded by the Group's assets (being primarily amounts owed by customers and cash) falls below the level of drawn balance.

- During the half- year an amount of $2,700,000 was repaid to finalise an unsecured debt facility. Interest was payable on this facility quarterly at the fixed rate of 20.0% per annum. All interest outstanding on the facility has been fully paid.

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.

7. Dividend

Dividends paid during the period were 0.5 cents per share or $925,000 in respect of the final dividend (100% unfranked) declared for the year ended 30 June 2011 (2010: $nil). No dividends were provided or paid for the half-year period to 31 December 2011.

8. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report for the year ended 30 June 2011. There were no significant changes to these arrangements during the half-year period to 31 December 2011.

9. Subsequent events

There has not been any other matter or circumstance, other than referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial periods.

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

29 February 2012

Dear Board Members

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 financial statements of Australian Power and Gas Company Limited for the half-year ended 31 December 2011, 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

Jason Thorne
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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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 condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 12 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2011 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

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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*. We confirm that the independence declaration required by the Corporations Act 2011, which has been given to the directors of Australian Power and Gas Company Limited, would be in the same terms if given to the directors at the time of this auditor's review report.

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 2011 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 29 February 2012