



Appendix 4E

The Australian Gas Light Company ABN 95 052 167 405

Preliminary Final Report

Results for announcement to the market for the financial year ended 30 June 2005

Extracts from this report for announcement to the market

\$A Million

Revenues from ordinary activities	Up	17.0%	To	4,915.4
Profit from ordinary activities after tax attributable to Shareholders	Up	142.7%	To	848.3
Net profit for the year attributable to Shareholders	Up	142.7%	To	848.3
Dividends	Amount per ordinary share		Franked amount per ordinary share	
Final dividend	32 ¢		32 ¢	
Interim dividend	31 ¢		28 ¢	
Special dividend (refer Note 6 of attached report)	30 ¢		27 ¢	
Record date for determining entitlements to the dividend:				
Final dividend	15 September 2005			
Interim dividend	11 March 2005			
Special dividend	11 March 2005			
Brief explanation of revenues, net profit and dividends:				
Profit from ordinary activities after tax, includes significant profits and losses before tax as detailed in Note 4(c).				
Refer to 'Financial Commentary-Discussion and Analysis of Financial Statements' on Page 4 for a detailed explanation of results for the year ended 30 June 2005.				
The final dividend in respect of ordinary shares for the year ended 30 June 2005 has not been recognised in the preliminary final report as the final dividend was declared subsequent to 30 June 2005.				



**The Australian Gas Light Company and Controlled Entities
Preliminary Final Report
For the financial year ended 30 June 2005**

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The Australian Gas Light Company and Controlled Entities
Statement of Financial Performance
For the year ended 30 June 2005

	Note	2005 \$m	2004 \$m
Revenues from ordinary activities	4(a)	4,915.4	4,201.7
Expenses from ordinary activities	4(b)	(3,747.4)	(3,355.8)
Equity accounted share of profits of associates and joint venture entities	9	85.3	91.8
Profit from ordinary activities before borrowing costs, depreciation and amortisation		1,253.3	937.7
Depreciation and amortisation		(198.8)	(236.7)
Profit from ordinary activities before borrowing costs		1,054.5	701.0
Borrowing costs		(111.5)	(134.0)
Profit from ordinary activities before income tax		943.0	567.0
Income tax attributable to ordinary activities	5	(74.8)	(187.5)
Profit from ordinary activities after income tax		868.2	379.5
Outside equity interests in operating profit after income tax		(19.9)	(30.0)
Profit after income tax attributable to Shareholders of the Parent Entity	7	848.3	349.5
Increase (decrease) in foreign currency translation reserve arising on translation of financial reports of foreign controlled operations		(4.7)	7.4
Total revenue, expense and valuation adjustments attributable to Shareholders of the Parent Entity recognised directly in equity		(4.7)	7.4
Total changes in equity other than those resulting from transactions with Shareholders as owners		843.6	356.9
Earnings per share including significant items			
Basic (cents)		185.8	76.8
Diluted (cents)		185.5	76.8
Earnings per share excluding significant items			
Basic (cents)		84.7	79.5
Diluted (cents)		84.6	79.5
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share			
Basic (millions)		456.5	454.9
Diluted (millions)		457.2	455.3



The Australian Gas Light Company and Controlled Entities
Statement of Financial Position
As at 30 June 2005

	Note	2005 \$m	2004 \$m
Current assets			
Cash		394.2	18.0
Receivables		808.3	841.1
Inventories		14.0	23.7
Property, plant and equipment		15.2	21.8
Other		78.4	110.9
Total current assets		1,310.1	1,015.5
Non-current assets			
Receivables		131.6	130.3
Equity accounted investments		607.5	601.2
Other financial assets		-	2.0
Property, plant and equipment		2,120.1	2,916.6
Intangible assets		1,479.2	1,614.0
Deferred expenditure		138.1	147.8
Deferred tax assets		125.9	112.7
Other		15.7	34.0
Total non-current assets		4,618.1	5,558.6
Total assets		5,928.2	6,574.1
Current liabilities			
Payables		433.2	456.1
Interest-bearing liabilities		236.4	546.1
Provisions		60.5	110.5
Current tax liabilities		85.9	76.6
Unearned revenue		8.9	12.3
Total current liabilities		824.9	1,201.6
Non-current liabilities			
Interest-bearing liabilities		1,406.9	1,643.6
Provisions		46.0	48.4
Deferred tax liabilities		377.7	518.5
Unearned revenue		5.1	7.4
Total non-current liabilities		1,835.7	2,217.9
Total liabilities		2,660.6	3,419.5
Net assets		3,267.6	3,154.6
Equity			
Contributed equity		2,010.1	2,239.7
Reserves		(8.8)	(4.1)
Retained profits	7	1,266.3	814.2
Equity attributable to Shareholders of the Parent Entity		3,267.6	3,049.8
Outside equity interests in controlled entities		-	104.8
Total equity		3,267.6	3,154.6



The Australian Gas Light Company and Controlled Entities
Statement of Cash Flows
For the year ended 30 June 2005

	2005 \$m	2004 \$m
Cash flows from operating activities		
Receipts from customers	4,842.3	5,031.7
Payments to suppliers and employees	(4,139.5)	(4,227.7)
Dividends received	92.7	74.8
Interest received	25.0	8.8
Borrowing costs paid	(116.1)	(132.2)
Income tax paid	(147.0)	(118.2)
Net cash provided by operating activities	<u>557.4</u>	<u>637.2</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(197.5)	(211.8)
Payment for investments	(22.0)	(120.7)
Payment for intangibles	(0.2)	(3.0)
Payments for acquisition of businesses/controlled entities	(19.0)	-
Loans advanced	(18.2)	(114.1)
Proceeds from sale of property, plant and equipment	47.4	5.6
Proceeds from disposal of investments	1.1	3.2
Proceeds from Dingo Blue settlement	-	20.9
Proceeds from sale of controlled entities	777.8	-
Proceeds from loan repayments	20.1	7.8
Net cash provided by/(used in) investing activities	<u>589.5</u>	<u>(412.1)</u>
Cash flows from financing activities		
Capital Return/Proceeds from issue of shares	(228.7)	58.9
Share buy-back	-	(155.8)
Proceeds from borrowings and hedge receipts on foreign currency borrowings	445.4	751.8
Repayment of borrowings and hedge payments on foreign currency borrowings	(539.2)	(639.0)
Dividends paid	(448.6)	(289.8)
Net cash provided by /(used in) financing activities	<u>(771.1)</u>	<u>(273.9)</u>
Net increase/(decrease) in cash held	375.8	(48.8)
Cash at the beginning of the financial year	1.4	50.4
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.2)	(0.2)
Cash at the end of the financial year	<u><u>377.0</u></u>	<u><u>1.4</u></u>



The Australian Gas Light Company and Controlled Entities Financial Commentary – Discussion and Analysis of Financial Statements

Profit Attributable to Shareholders

Profit after income tax attributable to AGL Shareholders has increased by \$498.8 million to \$848.3 million over the previous corresponding year, resulting in a 141.9% increase in basic earnings per share to 185.8 cents.

The result for the year included the following significant items after tax:

Sale of NGC	\$587.5m
Sale of Breakfast Point	\$14.7m
Property Rehabilitation	\$(5.8m)
Tax Consolidation Benefit	\$64.8m
(gross benefit \$65.9 million less after tax costs \$1.1 million)	
Property Rationalisation and associated costs	\$(6.7m)
Write down of Electricity Networks Assets	\$(193.0m)

	Excluding Significant items		Including Significant items	
	30 June 2005 \$m	30 June 2004 \$m	30 June 2005 \$m	30 June 2004 \$m
Profit before borrowing costs, depreciation and amortisation and income tax (EBITDA)	895.3	950.5	1,253.3	937.7
Depreciation and amortisation	(198.8)	(236.7)	(198.8)	(236.7)
Profit before borrowing costs and income tax (EBIT)	696.5	713.8	1,054.5	701.0
Borrowing costs	(111.5)	(134.0)	(111.5)	(134.0)
Profit before income tax (PBT)	585.0	579.8	943.0	567.0
Income tax	(178.3)	(188.0)	(74.8)	(187.5)
Profit after income tax (PAT)	406.7	391.8	868.2	379.5
Outside equity interests	(19.9)	(30.0)	(19.9)	(30.0)
Profit after income tax attributable to Shareholders	386.8	361.8	848.3	349.5

Cash Flow

During the year, operating cash flow decreased by 12.5% to \$557.4 million. Operating cashflow after stay-in-business capital expenditure decreased by 17.6% to \$458.7 million and cash flow available for expansion of the business, after stay-in-business capital expenditure and payment of the interim and final dividends decreased by 40.2% to \$175.8 million. The main reason for the decrease in operating cashflow year-on-year is that the current year includes NGC up until the date of its sale on 13 December 2004 whereas the prior year has a full twelve months operating cashflow contribution from NGC.

Final Dividend

The Directors have declared a 2005 final dividend of 32 cents per share, franked to 32 cents (100%). The 2005 full year dividend total of 63 cents per share (franked to 60 cents (95.2%)) per share represents an increase of 5% over the 2004 full year dividend total of 60 cents (franked to 45 cents (75%)).

The Record date to determine Shareholders' entitlements to the 2005 final dividend is 15 September 2005 with payment on 23 September 2005. Shares will commence trading ex-dividend to the 2005 final dividend on 9 September 2005.

Review of Operations

Profit from ordinary activities (including significant items) before borrowing costs and income tax was \$1,054.5 million (2004 \$701.0 million) arising from the following activities:



**The Australian Gas Light Company and Controlled Entities
Financial Commentary – Discussion and Analysis of Financial Statements (continued)**

Energy Sales & Marketing – EBIT \$206.2 million (2004 \$218.8 million) down 5.8%

AGL's Energy Sales & Marketing (ES&M) division is responsible for the sale and marketing of gas, electricity and energy services to AGL's 1.5 million electricity customers and 1.3 million gas customers across Australia.

During the year ended 30 June 2005, ES&M contributed \$206.2 million to profit before borrowing costs and tax compared with \$218.8 million for the previous year. This decrease was driven primarily by an increasingly competitive retail environment resulting in higher spending on marketing campaigns to acquire and retain customers (including incentives to customers), milder weather conditions across winter and summer in all states and lower management fee income resulting from the conclusion of an agreement with Alinta for the provision of transitional services following AGL's acquisition of Pulse Energy in 2002.

There was an overall increase of 16,081 customer accounts compared to the prior year, with the number of dual fuel customer accounts (ie. where AGL supplies both gas and electricity) increasing by 276,102 to 1,036,680 accounts.

Profit before borrowing costs and tax to sales revenue for ES&M was 5.9% for the year to 30 June 2005, down from 6.3% in the prior year. The acquisition of Terra Gas Trader in January 2005 and a changed customer mix contributed to this result.

In March 2005 the new business divisions of Merchant Energy and Retail Energy were created from the existing ES&M and Power Assets divisions. Segment reporting of Merchant Energy and Retail Energy will commence from the beginning of the 2006 financial year.

Natural Gas

Total natural gas sales of 172.9 PJ were 8.8 PJ higher than the prior year.

Sales to mass market customers decreased by 4.0 PJ to 62.2 PJ. This decrease in volume was primarily due to a warmer winter in 2005 than 2004 which reduced residential consumption in NSW and VIC. The decrease was offset by an increase in customer numbers, following the opening of the SA gas mass market to competition in July 2004.

Sales to contract market customers were largely in line with the prior year across all regions, with a small increase of 0.4 PJ to 69.0 PJ. Sales to the contract market in Victoria decreased by 0.2 PJ to 25.8 PJ; in NSW they increased by 0.3 PJ to 37.8 PJ and in SA increased by 0.2 PJ to 5.4 PJ.

Wholesale gas sales increased by 12.4 PJ to 41.8 PJ primarily due to the acquisition of Terra Gas Trader (13.7 PJ), offset by lower sales volumes to National Power (0.9 PJ) and Origin Energy (1.3 PJ).

Electricity

Total electricity sales volume of 22,279 GWh was largely in line with the prior year, showing a slight decrease of 16 GWh.

Sales to mass market customers decreased by 867 GWh to 9,766 GWh as a result of customer losses and a warmer winter than in the prior year. Customer losses in Victoria and SA were offset by an increase in NSW.

Sales to contract market customers increased by 851 GWh to 12,513 GWh. In the Victorian contract market, volume was up by 337 GWh to 4,693 GWh. The NSW/ACT contract market sales volumes increased by 476 GWh with 294 GWh's of that increase attributable to the signing of the Department of Defence as a new customer.

In SA, contract market volume decreased by 158 GWh to 2,937 GWh due to the loss of Holden (118 GWh) and with OneSteel and BOC operating at reduced capacity for a period of time. In the QLD contract market, sales increased by 197 GWh to 629 GWh due to the continued acquisition of business and C&I customers in the region.

Gas Networks – EBIT \$163.9 million (2004 \$164.1 million) down 0.1%

Gas transported on the AGL gas distribution network in NSW was 95.8 PJ, a decrease of 0.6 PJ compared to the prior year. This decrease was driven by the effect of warmer weather as Sydney experienced the warmest April and fifth warmest June in 144 years. New site growth, mostly in new housing, saw a net increase of 27,024 customer sites and 206 km of gas mains added to the network. The NSW gas distribution network now comprises 23,541 km of gas mains and transports natural gas to 951,591 customer sites.

Significant capital projects during the year included capacity upgrades of six major pressure regulating stations and commencement of the Bathurst gas network rehabilitation project. Preliminary design and route selection also commenced for the future reinforcement of Sydney's high pressure system.

In June 2005, the NSW Independent Pricing and Regulatory Tribunal (IPART) issued its final determination approving the prices, services, terms and conditions under which AGL Gas Networks will provide transportation services to retailers over the five year period to June 2010. It is anticipated that EBITDA will decrease by \$5-10 million in the 2005/06 financial year as a result of this decision.

Electricity Networks - EBIT (\$155.6 million) loss (2004 \$70.1 million profit) down 322.0%

Electricity distributed by the AGL Victorian electricity network was 4,174 GWh, an increase of 1.24%. This result was also affected by generally milder weather conditions throughout the year which has had an adverse impact on energy sales. Growth in customer sites connected continued to be strong with a net increase of 6,632 sites added to the network during the year. The distribution network was extended by a further 105 km, bringing the total network length to 10,285 km.

At the underlying level, the electricity network performed well with EBIT up 7.7%. The unfavourable reported result was due to the \$231.1 million write-down of the carrying value of the Victorian electricity distribution network. The reassessment of fair value of the network resulted from a review of recent realised market values for Victorian distribution businesses, the tightening regulatory environment and an unfavourable draft determination by the Victorian Essential Services Commission (ESC) on distribution charges for 2006-2010. AGL considers the draft determination to be unreasonable, containing errors of fact and fundamental points of difference. This is particularly so in relation to growth forecasts and allowed operating and capital expenditure. The fair value of the network has been re-assessed after considering a range of potential improved regulatory outcomes. AGL continues to vigorously pursue key points of difference with the regulator and is prepared to take the matter to appeal if necessary.

The key priorities for the Network include resolving the regulatory determination and effective network management to meet customer growth/connections, load demand and reliability targets.

Agility EBIT \$63.4 million (2004 \$55.5 million) up 14.2%

Agility manages, operates and develops energy infrastructure assets across Australia. During the year ended June 2005, Agility contributed \$63.4 million to profit before borrowing costs and tax, an increase of \$7.9 million compared to the previous year.

The improvement in EBIT is a direct result of higher revenue which increased 6.0% in the year to \$428.7 million as well as ongoing cost efficiencies achieved.

Covering a range of services across the supply chain, from strategic asset management through to field-based construction services, Agility identifies each client's business requirements and seeks to help them achieve optimum performance in a cost efficient manner.

This year Agility's client and project portfolio expanded through winning new contracts, including:

- Sydney Water Corporation (SWC) Water Mains Rehabilitation Contracts;
- Powerco Tasmanian Natural Gas Construction, Operation & Maintenance Contracts;
- Energen Live Line Overhead Maintenance Contract;
- Hammersley Iron Gas Lateral Construction Contract;
- Santos Pipeline Repair Contract;
- Ergon Live Line & Air Brake Switch Inspection & Maintenance Contracts; and
- APT/Arrow Energy North Coal Seam Methane Plant Engineering Consultancy.



Agility is actively pursuing opportunities in New South Wales, Queensland, Western Australia, Tasmania and Victoria. Agility recently secured additional works for SWC and is now on its panel for Repair and Maintenance works, further cementing Agility's successful, on-going relationship with SWC.

Agility is now listed on Ergon Energy's Preferred Contractor Panel in Queensland. Due to a major growth phase in the Queensland electricity services market, Agility has strengthened its underground service capability by the acquisition of Oakland Construction Group, a preferred construction and maintenance services provider for Ergon, which specialises in high-voltage underground electrical cable work in South East Queensland.

Energy Investments & LPG – contribution \$96.0 million (2004 \$110.4 million) down 13.0%

Australian Pipeline Trust (APT)

AGL's share of equity accounted profits from its 30% investment in the Australian Pipeline Trust totalled \$19.4 million (2004 \$38.0 million). Last year's result included two significant items; a profit upon entry into tax consolidation (AGL share \$27.9 million) and a loss associated with the write-off of the Windimurra pipeline following the closure by Xstrata of its Western Australian vanadium mine (AGL share \$4.2 million). The improved underlying result for the current year includes the positive net impact of the acquisition of the GGT and Parmelia pipelines in August 2004, together with the 30% minority interest in the Ballera to Mt Isa Pipeline in February 2005.

ActewAGL

AGL's consolidated share of profits from its 50% investment in the ActewAGL distribution and retail partnerships in the Capital Region totalled \$53.0 million (2004 \$50.9 million). This result reflects successful customer retention, lower operating costs and higher capital contributions revenue offset by a warmer winter than the prior year and regulatory resets on both the electricity and gas network tariff charges.

Elgas

AGL's 50% interest in Auscom Holdings (Elgas), which distributes and retails LPG in Australia, made a \$13.5 million equity accounted contribution, in line with \$13.9 million in the previous year. Warmer trading conditions in winter 2005 placed pressure on sales volumes, although profit levels were maintained due to the relatively strong Australian dollar. This has enabled the company to maintain margins despite international LP Gas prices reaching record levels in US dollar terms during the year.

HC Extractions

HC Extractions, which produces LPG, contributed an EBIT of \$6.0 million, an increase of \$4.6 million on the previous corresponding period. The increase is primarily due to additional revenue earned from the favourable movements in the Saudi Contract propane price. A significant increase in production, mainly due to the previous year's production being adversely affected by plant and equipment damage and a longer major plant shutdown, also contributed to the improved result.

Gas Valpo

AGL's wholly-owned investment in Gas Valpo, a natural gas distribution company in Chile, contributed \$4.1 million to earnings before interest and tax during the year ended June 2005. The decrease from the prior year contribution of \$6.2 million is due to the recommencement of gas restrictions from Argentina in the summer of 2005, which has limited the supply of natural gas to GasValpo's industrial customers.

Power Generation – contribution \$31.2 million (2004 \$17.5 million) up 78.3%

AGL Power Generation, including the contribution from Loy Yang Power, provided a profit contribution before borrowing costs and tax of \$31.2 million, up \$13.7 million on last year. This increase was primarily the result of a full year contribution from Loy Yang Power of \$9.5 million. AGL purchased a 32.5% share in Loy Yang Power on 8 April 2004, which yielded a \$2.7 million contribution in the 2004 financial year.

Power Generation – Wholly Owned

AGL's two gas-fired power stations Somerton in Victoria and Hallett in South Australia continue to play an important role in mitigating AGL's potential risk to the volatility of electricity spot prices during periods of peak electricity demand. Somerton has 150 MW of installed capacity while Hallett has 180 MW. Hallett has distillate as an additional fuel supply which enhances security of supply. These plants tend to operate during the summer and winter seasons, but are available to supply the market throughout the year. Substantial investments in enhancements to the generators at these power stations have greatly improved start reliability. In addition, the Somerton power station provides network support to the AGL and SPI electricity networks in Victoria.

AGL's third gas-fired power station is at Caws e, a 20 MW plant located in Western Australia. It supplies electricity, steam and desalinated water to the OMG Caws e nickel mine (60 km north-west of Kalgoorlie).

Power Generation - Investments

As AGL purchased a 32.5% share in Loy Yang Power on 8 April 2004, the prior year results incorporated less than 3 months' contribution from this investment. The 2005 financial year contribution of \$9.5 million comprised the equity accounted loss of \$1.1 million and loan note interest revenue of \$10.6 million. This compares with a 2004 contribution of \$2.7 million comprising the equity accounted profit of \$0.1 million and loan note interest revenue of \$2.6 million. Less than expected generation revenue is the principal reason for the 2005 performance which has been adversely affected by lower pool prices and the slower than forecast take up rate of contracts by counterparties. This left Loy Yang Power with a higher average percentage of plant capacity exposed to pool prices during the year.

AGL currently supports renewable sources of power generation through its investment in landfill gas and biogas power stations, and financial contracts for a number of wind farm developments. Further growth of AGL's renewable energy portfolio is planned through investments in renewable energy projects.

New Zealand - contribution \$665.2 million (2004 \$129.4 million)

On 14 December 2004 AGL completed the sale of its 66.05% interest in NGC. The contribution during the period of \$665.2 million includes an amount of \$591.5 million, before income tax recognised as a significant item, relating to the gain on sale of the investment.

The sale proceeds were used to pay costs in relation to the transaction, with the remainder having been or still to be used to repay debt and fund the capital management program undertaken in calendar 2005.



Property – contribution \$2.6 million (2004 \$0.5 million)

The current period contribution of \$2.6 million includes an amount of \$14.7 million in relation to profit on the sale of Stage 6 of Breakfast Point offset by an expense of \$12.1 million in relation to remediation, rehabilitation and rationalisation of various properties. Both amounts were recorded as significant items.

Telecommunications - contribution \$2.2 million (2004 loss \$33.3 million)

During the year, provisions previously raised regarding AGL's investments in telecommunications were written back in the accounts. The \$33.3 million loss in the previous corresponding period related to the write-off of the investments in TransACT and COMindico of \$25.0 million and \$23.5 million respectively offset by a gain of \$16.2 million following a settlement in relation to the investment in dingo blue. These amounts were all recognised as significant items. AGL has provided a guarantee in support of a \$25.0 million bank facility obtained by TransACT. The guarantee is limited to that facility and as at 30 June 2005 \$20.8 million has been drawn down on this facility. To date there has been no call on this guarantee.

The carrying value of AGL's investment in Telecommunications was \$nil at 30 June 2005 (2004 \$nil)

Unallocated items - expense \$20.6 million (2004 expense \$32.0 million) down 35.6%

Unallocated items of \$20.6 million for the year to 30 June 2005 decreased by \$11.4 million. The decrease was due to the inclusion of interest income from the NGC sale proceeds, offset by the write-off of some deferred capital expenditure and costs associated with property rationalisation.

Borrowing costs - expense \$111.5 million (2004 expense \$134.0 million) down 16.8%

Borrowing costs decreased by \$22.5 million to \$111.5 million primarily as a result of lower average outstanding debt during the year. The net debt position at June 2005 is lower than that at June 2004. This position arises primarily as a result of the sale of AGL's interest in NGC Holdings Ltd. Most of the proceeds of sale were used to retire debt.

Tax expense \$74.8 million (2004 expense \$187.5 million) down 60.1%

The decrease in tax expense by \$112.7 million to \$74.8 million during the year is largely attributable to the tax benefit of \$65.9 million recorded on entry into tax consolidation and \$38.1 million tax benefit arising from the write down of the Victorian Electricity Network. Both items were recorded as significant items.

Deloitte

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

25 August 2005

The Directors
The Australian Gas Light Company
111 Pacific Highway
North Sydney NSW 2060

Dear Directors

THE AUSTRALIAN GAS LIGHT COMPANY

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Australian Gas Light Company.


As lead audit partner for the audit of the financial statements of The Australian Gas Light Company for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



G Coultas
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by the Accountants' Scheme,
approved under the Professional Standards Act 1994 (NSW).



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 1 – Basis of preparation

The preliminary final report relates to the consolidated entity consisting of The Australian Gas Light Company (the Parent Entity) and each of its controlled entities. The report has been prepared in accordance with the requirements of the ASX Listing Rule 4.3A and the disclosure requirements of the ASX Appendix 4E.

The accounting policies applied in the preparation and presentation of the preliminary final report are consistent with those applied in respect of the year ended 30 June 2004 annual financial report, except as disclosed below.

Note 2 – Change in accounting estimates

There were no material changes in accounting estimates during the year ended 30 June 2005

Note 3 – Rounding of amounts

Unless otherwise specified, amounts in the preliminary final report are shown to the nearest tenth of a million dollars in accordance with ASIC class order 98/100 issued 10 July 1998. The Parent Entity is an entity to which the class order applies.

The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

	2005 \$m	2004 \$m
Note 4 – Revenues/expenses from ordinary activities		
(a) Revenues from ordinary activities		
Sales of goods		
Operating activities	3,638.4	3,704.0
Provision of services		
Construction contracts	32.5	27.3
Other operating activities	387.1	422.5
Interest		
Associates and joint venture entities	10.6	-
Other operating entities	17.0	9.4
Dividends		
Other entities	-	0.7
Share of partnership profits	-	-
Disposal of assets		
Operating activities	1.8	8.8
Other activities	812.2	-
Rents		
Other activities	0.7	0.6
Foreign currency exchange gain from non-speculative dealing	3.0	-
Other		
Operating activities	0.4	4.1
Other activities – proceeds on Dingo Blue settlement	-	18.3
Write back of provisions no longer required		
Doubtful debts	1.6	1.0
Employee benefits	0.6	2.9
Other	9.5	2.1
	4,915.4	4,201.7
All revenue relates to operating activities unless otherwise stated.		
(b) Expenses from ordinary activities		
Cost of goods sold	2,656.2	2,542.8
Administrative costs	187.5	210.0
Employee benefits	464.4	459.6
Losses and write downs relating to investments/controlled entities	231.1	36.8
Carrying value of assets/businesses sold	205.9	10.4
Other expenses	2.3	88.6
	3,747.4	3,348.2

The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

	2005 \$m	2004 \$m
Note 4 – Revenues/expenses from ordinary activities (continued)		
(c) Significant items (net profit before tax)		
Dingo Blue settlement (Income tax expense applicable \$nil million)	-	16.2
Write-off of Windimurra Power Station and APT Western Pipeline (Income tax benefit applicable \$0.5 million)	-	(8.4)
Write-off of TransACT (Income tax expense applicable \$nil million)	-	(25.0)
Equity accounted losses/writedown relating to COMindico # (Income tax expense applicable \$nil million)	-	(23.5)
Equity accounted profit relating to APT entering tax consolidations # (Income tax expense applicable \$nil million)	-	27.9
Sale of NGC (Income tax expense applicable \$4.0 million)	591.5	-
Sale of Breakfast Point (Income tax expense applicable \$nil million)	14.7	-
Tax Consolidation Benefit (Gross benefit \$65.9 million less costs \$1.6 million (Income tax benefit applicable \$0.5 million))	64.8	-
Property Rehabilitation (Income tax benefit applicable \$0.3 million)	(6.1)	-
Property Rationalisation (Income tax benefit applicable \$2.7 million)	(9.4)	-
Write down of Electricity Networks Assets (Income tax benefit applicable \$38.1 million)	(231.1)	-

Refer to Note 9 – Material interests in equity accounted associates and joint ventures.

Note 5 – Income tax expense

Prima facie income tax expense on profit from ordinary activities	(282.9)	(170.1)
Tax effect of permanent differences		
Non-allowable expenditure	(47.1)	(29.1)
Non-assessable revenue	179.1	7.0
Non-rebateable/assessable dividends	(10.2)	(14.6)
Equity accounted profits/(losses) of associates and joint venture entities	10.2	11.3
Profits/(losses) on disposals of assets	-	(0.9)
Other	4.4	1.9
Recognition of tax losses not previously brought to account	1.6	2.1
Tax Consolidation	65.9	-
Income tax over-provided in prior years	4.2	4.9
Income tax attributable to ordinary activities	(74.8)	(187.5)



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

	2005 \$m	2004 \$m
Note 6 – Dividends		
<i>Recognised amounts</i>		
Interim dividend paid 24 March 2005 (2004 – 26 March 2004)		
Franked amount (28 cents per share (2004 - 22 cents per share))	127.8	100.4
Unfranked amount (3 cents per share (2004 - 7 cents per share))	13.7	31.9
Total amount (31 cents per share (2004 - 29 cents per share))	<u>141.5</u>	<u>132.3</u>
Special dividend paid 24 March 2005 (2004 - Nil)		
Franked amount (27 cents per share (2004 - Nil))	123.6	-
Unfranked amount (3 cents per share (2004 – Nil))	13.7	-
Total amount (30 cents per share (2004 - Nil))	<u>137.3</u>	<u>-</u>
Final dividend paid 24 September 2004 (2004 – 26 October 2003)		
Franked amount (23 cents per share (2004 – 18 cents per share))	104.9	81.0
Unfranked amount (8 cents per share (2004 – 11 cents per share))	36.5	49.5
Total amount (31 cents per share (2004 – 29 cents per share))	<u>141.4</u>	<u>130.5</u>
	<u>420.2</u>	<u>262.8</u>
<i>Unrecognised amounts</i>		
Proposed final dividend to be paid 23 September 2005 #		
Franked amount (32 cents per share)	141.8	104.9
Unfranked amount (Nil cents per share)	-	36.5
Total amount (32 cents per share)	<u>141.8</u>	<u>141.4</u>

The final dividend in respect of ordinary shares for the year ended 30 June 2005 has not been recognised in this financial report as the final dividend was not declared on or before 30 June 2005.

The Australian Gas Light Company Dividend Reinvestment Plan was suspended on 14 October 2003.

Note 7 – Retained profits

Retained profits at the beginning of the year	814.2	727.5
Profit after income tax attributable to Shareholders of the Parent Entity	848.3	349.5
Dividends paid or provided	(420.2)	(262.8)
Transfers from reserves	24.0	-
Retained profits at end of year	<u>1,266.3</u>	<u>814.2</u>

Note 8 – Net tangible asset backing

Net tangible asset backing per ordinary share	<u>\$3.92</u>	<u>\$3.15</u>
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The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 9 – Material interests in equity accounted associates and joint ventures/entities

	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit	
	2005 %	2004 %	2005 \$m	2004 \$m
Equity accounted associates and joint ventures/entities				
Auscom Holdings Pty Limited	50.0	50.0	13.5	13.9
Australian Pipeline Trust	30.0	30.0	19.4	38.0
ActewAGL	50.0	50.0	53.3	53.3
Greater Energy Alliance Corporation Pty Limited #	32.5	32.5	(1.1)	2.7
Agility Diona	50.0	50.0	-	0.2
COMindico	35.9	35.9	-	(15.9)
Other			0.2	(0.4)
Total			85.3	91.8

Date of acquisition – 8 April 2004

The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 10 – Segment Information

(a) Segment revenues

	External Sales Revenues		Other External Revenues		Inter-Segment Revenues		Equity Accounted Share of Net Profits/(Losses)		Total	
	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m	2005 \$m	2004 \$m
Energy Networks										
Gas networks	59.5	45.0	1.3	1.9	278.6	290.1	-	-	339.4	337.0
Electricity networks	81.2	66.4	0.1	0.3	117.8	115.2	-	-	199.1	181.9
	140.7	111.4	1.4	2.2	396.4	405.3	-	-	538.5	518.9
Agility	146.4	129.6	1.8	3.2	280.5	271.3	-	0.2	428.7	404.3
Energy Sales & Marketing	3,487.3	3,436.8	2.0	3.2	33.8	34.1	0.2	(0.2)	3,523.3	3,473.9
Energy Investments	62.2	50.1	0.7	4.5	-	0.6	86.2	105.2	149.1	160.4
Power Generation	8.1	8.9	10.6	0.1	37.5	39.0	(1.1)	2.7	55.1	50.7
New Zealand Business	206.7	409.7	784.1	7.9	-	-	-	(0.2)	990.8	417.4
Property	-	-	37.0	0.9	1.3	0.1	-	-	38.3	1.0
Telecommunications	-	1.0	1.9	18.4	-	-	-	(15.9)	1.9	3.5
Segment totals	4,051.4	4,147.5	839.5	40.4	749.5	750.4	85.3	91.8	5,725.7	5,030.1
Unallocated items	6.6	6.2	17.9	7.6	-	(0.6)	-	-	24.5	13.2
	4,058.0	4,153.7	857.4	48.0	749.5	749.8	85.3	91.8	5,750.2	5,043.3
Less: eliminations	-	-	-	-	(749.5)	(749.8)	-	-	(749.5)	(749.8)
	4,058.0	4,153.7	857.4	48.0	0.0	-	85.3	91.8	5,000.7	4,293.5

Revenue is principally derived from:

- (i) *Energy Networks* – distribution of gas and electricity.
Agility – provision of infrastructure management and maintenance services.
Energy Sales & Marketing – sale of natural gas and electricity.
Energy Investments – investments in pipeline and energy utility entities.
Power Generation – generation and sale of electricity.
New Zealand Business – investments in New Zealand entities involved in the gas industry.
Property – sale and rental of properties.
Telecommunications – investment in entities involved in the telecommunications industry.

- (ii) Inter-segment pricing is made on an "arms-length", commercial basis.



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 10 – Segment Information (continued)

(b) Segment results – profits/(losses)

	Segment Results - Profits/(Losses)		Depreciation and Amortisation		Other Non-cash Expenses	
	2005	2004	2005	2004	2005	2004
	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks						
Gas networks	163.9	164.1	40.4	40.0	1.9	2.2
Electricity networks	(155.6)	70.1	27.5	26.5	231.6	0.4
	8.3	234.2	67.9	66.5	233.5	2.6
Agility	63.4	55.5	3.8	3.2	13.0	15.0
Energy Sales & Marketing	206.2	218.8	52.5	50.8	35.1	34.5
Energy Investments	96.0	110.4	5.6	5.9	1.6	1.2
Power Generation	31.2	17.5	15.5	14.9	0.4	4.5
New Zealand Business	665.2	129.4	31.2	70.5	-	15.7
Property	2.6	0.5	1.2	1.1	0.1	0.3
Telecommunications	2.2	(33.3)	-	-	0.1	32.6
Segment totals	1,075.1	733.0	177.7	212.9	283.8	106.4
Unallocated items	(20.6)	(32.0)	21.1	23.8	21.6	19.6
	1,054.5	701.0	198.8	236.7	305.4	126.0
Less: borrowing costs	(111.5)	(134.0)				
Profit from ordinary activities before income tax	943.0	567.0				
Income tax attributable to ordinary activities	(74.8)	(187.5)				
Profit from ordinary activities after income tax	868.2	379.5				

Profit from ordinary activities before borrowing costs and tax includes the following significant items, detailed in Note 4(c), as allocated to relevant segments:

(i) Electricity Networks	\$(231.1) million (2004 \$Nil million)
(ii) Energy Investments	\$Nil million (2004 \$23.7 million)
(iii) Power Generation	\$Nil million (2004 \$(4.2) million)
(iv) New Zealand Business	\$591.5 million (2004 \$Nil million)
(v) Property	\$2.6 million (2004 \$Nil million)
(vi) Telecommunications	\$Nil million (2004 \$(32.3) million)
(vii) Unallocated items	\$(5.0) million (2004 \$Nil million)
(viii) Income tax attributable to Ordinary activities	\$103.5 million (2004 \$Nil million)



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 10 – Segment Information (continued)

(c) Segment assets and liabilities

	Assets ⁽¹⁾		Liabilities ⁽¹⁾		Equity Accounted Investments *		Acquisition of Non- Current Assets *	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks								
Gas networks	1,248.3	1,219.0	7.3	217.5	-	-	69.2	66.4
Electricity networks	713.1	949.6	7.5	76.0	-	-	42.4	32.6
	1,961.4	2,168.6	14.8	293.5	-	-	111.6	99.0
Agility	104.6	67.7	66.5	71.2	-	0.2	18.7	6.8
Energy Sales & Marketing	2,021.8	2,102.3	388.0	553.9	0.9	1.0	5.6	10.5
Energy Investments	655.1	650.6	51.8	78.6	499.8	484.0	6.3	6.6
Power Generation	523.9	524.2	0.8	21.5	106.8	111.6	8.2	5.6
New Zealand Business	-	864.0	-	594.4	-	4.4	14.5	55.1
Property	26.6	55.1	15.8	9.1	-	-	6.4	0.2
Telecommunications	-	0.2	-	2.5	-	-	-	-
Segment totals	5,293.4	6,432.7	537.7	1,624.7	607.5	601.2	171.3	183.8
Unallocated items	634.8	141.4	2,122.9	1,794.8	-	-	32.0	31.0
Consolidated totals	5,928.2	6,574.1	2,660.6	3,419.5	607.5	601.2	203.3	214.8

* included in Assets total

⁽¹⁾ Current year figures include the impact of entering into tax consolidation.



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 10 – Segment Information (continued)
(d) Funds employed

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	Property	Telecom – munications
	Gas Networks	Electricity Networks						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current assets								
Cash	-	-	0.1	8.9	3.2	-	-	-
Receivables	13.1	10.7	36.5	712.4	10.1	5.4	4.6	-
Inventories	-	-	3.1	9.6	1.3	-	-	-
Property, plant and equipment	1.0	-	-	-	-	-	14.2	-
Other	0.1	2.5	1.4	70.1	0.4	0.7	0.1	-
Non-current assets								
Receivables	-	-	-	-	0.4	123.3	-	-
Equity accounted investments	-	-	-	0.9	499.7	106.8	-	-
Other financial assets	-	-	-	-	-	-	-	-
Property, plant and equipment	1,217.2	409.1	22.0	46.1	120.4	284.8	7.2	-
Intangibles	-	278.2	33.4	1,149.9	17.7	-	-	-
Deferred expenditure	15.8	12.6	0.9	16.7	1.9	2.9	0.5	-
Deferred tax assets	-	-	-	-	-	-	-	-
Other	1.1	-	7.2	7.2	-	-	-	-
Total assets	1,248.3	713.1	104.6	2,021.8	655.1	523.9	26.6	-
Current liabilities								
Payables	5.4	7.3	30.3	337.2	5.4	0.7	2.1	-
Provisions	1.2	0.2	16.2	12.9	1.5	0.1	10.3	-
Tax liabilities	-	-	-	-	0.2	-	-	-
Unearned revenue	-	-	0.6	7.8	0.2	-	0.2	-
Non-current liabilities								
Payable	-	-	-	9.2	-	-	-	-
Provisions	0.2	-	19.2	14.5	-	-	3.2	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Unearned revenue	0.5	-	-	4.6	-	-	-	-
Funds employed	1,241.0	705.6	38.3	1,635.6	647.8	523.1	10.8	-
Guarantee support			2.9	269.3				



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

Note 10 – Segment Information (continued)

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	Property	Telecommunications
	Gas Networks	Electricity Networks						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
(e) Profit from ordinary activities before borrowing costs and significant items								
Before income tax	163.9	75.5	63.4	206.2	96.0	31.2	0	2.2
After income tax	112.9	51.5	44.3	132.2	75.2	22.1	0	2.7
(f) Profit from ordinary activities before borrowing costs and significant items/funds employed* (%)								
Before income tax	14.6	9.6	350.6	11.8	15.1	6.1	n/a	n/a
After income tax	10.1	6.5	244.8	7.6	11.8	4.3	n/a	n/a
*Weighted where appropriate								
(g) Profit from ordinary activities before borrowing costs and significant items/funds employed including guarantee support* (%)								
Before income tax	14.6	9.6	287.1	10.0	15.1	6.1	n/a	n/a
After income tax	10.1	6.5	200.4	6.4	11.8	4.3	n/a	n/a
*Weighted where appropriate								

(h) Geographical segments

	External Revenues		Assets		Acquisition of Non-Current Assets	
	2005	2004	2005	2004	2005	2004
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	3,884.7	3,749.3	5,779.2	5,563.0	182.5	153.2
New Zealand	990.7	417.6	-	864.0	14.5	55.1
Other	40.0	34.8	149.0	147.1	6.3	6.5
	4,915.4	4,201.7	5,928.2	6,574.1	203.3	214.8

There was no material inter-segment revenue.



The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005

	2005 \$m	2004 \$m
Note 11 – Contingent liabilities and contingent assets		
(a) Contingent liabilities		
Bank Guarantees in respect of the consolidated entity	8.5	7.5
Guarantees and warranties in respect of controlled entities	35.5	36.6
Guarantees in respect of associates	5.0	5.0
Guarantees in respect of other entities*	21.8	15.8
	<u>70.8</u>	<u>64.9</u>

*AGL has provided a guarantee over a \$25.0 million bank facility utilised by TransACT. As at 30 June 2005 the facility had been drawn down to the amount of \$20.8 million (June 2004 \$14.7 million) and is included in guarantees in respect of other entities.

Other contingent liabilities

- (i) Claims and possible claims, indeterminable in amount, have arisen in the course of business against entities in the consolidated entity. Based on legal advice obtained, the directors of the Parent Entity (AGL) believe that any resultant liability will not materially affect the financial position of the consolidated entity.
- (ii) AGL has undertaken to provide financial support, as and when required, to certain wholly-owned controlled entities, so as to enable those controlled entities to pay their debts as and when such debts become due and payable.
- (iii) AGL has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly-owned controlled entities.

(b) Contingent assets

AGL is party to an agreement in relation to the disposal of various entities to an associated entity (Australian Pipeline Trust). Under the agreement the parties have agreed that the extent to which duty payable by the purchaser is otherwise than as estimated under the Share Sale agreement, an adjustment payment would be made. The amount of the potential payment payable by the purchaser has not been recognised at 30 June 2005, as it is contingent on obtaining relevant State and Territory duty relief and cannot be reliably measured at this stage.

Note 12 – Discontinued operations

On 14 December 2004 the company completed the divestment of its 66.05% shareholding in NGC Holdings Limited (NGC). The shareholding was sold to Vector Limited, a New Zealand based energy company. Up to the date of sale, the financial information relating to NGC has been consolidated in the statement of financial performance, statement of cashflows and Note 10 - segment information. Details of the financial impact of the divestment of NGC on AGL's group result are set out in Note 4.

Note 13 – Acquisition of assets / controlled entities

On 13 January 2005, AGL Wholesale Gas Limited acquired 100% of the issued shares of Terra Gas Trader Pty Limited (TGT) from Tarong Energy. TGT supplies gas to the SA market via the Moomba to Adelaide pipeline.

On 16 June 2005, Agility Management Pty Limited acquired the assets and liabilities of the Oakland Construction Group ("Oakland"). Oakland specialises in the underground electricity cable installation services in the southeast supply region of Queensland.

Note 14 – Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

AGL and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The implementation of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is The Australian Gas Light Company.

Note 15 – Impact of Adopting Australian equivalents to International Financial Reporting Standards

The Australian Gas Light Company (AGL) changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the company has elected to defer the transition date to 1 July 2005.

An explanation of how the transition from Generally Accepted Accounting Principles (AGAAP) to A-IFRS will affect AGL's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

AGL will prepare financial statements under A-IFRS for the first time for the half-year ending 31 December 2005. The directors may, at any time until the completion of AGL's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the financial report.

At the date of this financial report, AGL has substantially completed the implementation of A-IFRS, including analysis and assessment of accounting policies. Finalisation of implementation requires sign off of systems capability in a live environment, particularly for financial instruments, and finalisation of documentation of internal accounting policies and the impact of associates and joint ventures.

The likely impacts are based on the following key assumptions that AGL will:

- not restate previous Business Combinations (refer note (d)(iii));
- adopt deemed cost valuations for Property, Plant & Equipment in order to maintain current carrying values (refer note (d)(viii));
- reset the opening foreign currency translation reserve to zero (refer note (d)(ii));
- not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* (refer note (d)(xi)); and
- adopt the retained earnings option for the recognition of defined benefit fund actuarial gains and losses (refer note (d)(i)).

The following disclosures outline the likely impacts on the current year financial statements of AGL had they been prepared using AIFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impact outlined in the following disclosure. The following financial impacts may also be affected by the finalisation of A-IFRS implementation by AGL's associated entities and joint ventures.

(a) Reconciliation of equity as presented under AGAAP to that under A-IFRS - The Australian Gas Light Company and Controlled Entities

	Note (refer paragraph d)	2005 \$M **	1 July 2004* \$M
Total equity under AGAAP		3,267.6	3,154.6
Total equity adjustments at date of transition		(97.8)	N/A
Adjustments to retained earnings (pre tax):			
Recognition of defined benefit pension asset	(i)	4.8	5.7
Clearance of foreign currency translation reserve	(ii)	0.0	(4.1)
Write-back of goodwill amortisation	(iii)	39.9	0.0
Recognition of share-based payment expense	(iv)	(4.1)	(0.8)
Adjustments relating to NGC (which was disposed of in December 2004)	(v)	36.7	(5.4)
Tax effect of A-IFRS adjustments	(vi)	1.7	0.0
Tax effect on transition***	(vi)	0.0	(83.9)
Total adjustments to retained earnings		79.0	(88.5)
Adjustments to other reserves (pre tax):			
Recognition of share-based payment expense	(iv)	4.1	(13.4)
Clearance of foreign currency translation reserve	(ii)	0.0	4.1
Total adjustments to other reserves		4.1	(9.3)
Total equity adjustments		(14.7)	(97.8)
Total equity under A-IFRS		3,252.9	3,056.8

* This column represents the adjustments as at the date of transition to A-IFRS

** This column represents the cumulative adjustments as at the date of transition to A-IFRS and those for the year ended 30 June 2005

*** This figure includes the share attributable to Outside Equity Interests

(b) Reconciliation of net profit under AGAAP to that under A-IFRS - for The Australian Gas Light Company and Controlled Entities

Year ended 30 June 2005	Notes	2005 \$M
Net profit as reported under AGAAP		848.3
Adjustments (pre-tax):		
Amortisation of goodwill	(iii)	39.9
Movement in defined benefit pension asset	(i)	8.5
Share-based payment expense	(iv)	(4.1)
Recognition of additional profit on disposal of NGC	(v)	36.7
Adjustment to income tax expense	(vi)	0.6
Total adjustments		81.6
Net profit under A-IFRS		929.9

(c) Restated A-IFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of A-IFRS.

(d) Notes

The information in the following notes provides a summary of the A-IFRS Standards as they affect AGL and should not be taken as an exhaustive explanation of all the impacts arising from implementation.

(i) AASB 119 Employee Benefits

AGL sponsors a number of defined benefit superannuation plans for employees. This standard requires the recognition of an asset or liability for the net difference between the defined benefit obligation and the fair value of the plan assets.

AGL's current policy for accounting for defined benefit funds is to expense contributions as they are paid or become payable and to fund any shortfall. AGL does not recognise any asset or liability for the net position of the defined benefit funds. The initial adjustment on transition will be through retained earnings.

In December 2004, the Australian Accounting Standards Board agreed to release an amended version of AASB 119 to permit all three options for recognition of actuarial gains and losses that were permitted under the International Standard IAS19. The previous AASB 119 only permitted recognition through profit or loss. The revised AASB 119 can be early adopted. The three options for recognition of actuarial gains and losses are:

- Full recognition through profit or loss;
- Full recognition through retained earnings; or
- The 'corridor' approach which permits smoothing of fluctuations outside of a 10% corridor.

AGL has elected to early adopt the revised AASB 119 for the annual reporting period beginning on 1 July 2005 and will apply the option of taking actuarial gains and losses to retained earnings. For the year ended 30 June 2005, total actuarial losses were \$3.7 million. In accordance with the requirements of AASB 1 First Time Adoption of AIFRS, comparative period information is restated.

On transition, the estimated financial impact on opening net assets is +\$5.7 million (before tax) and the impact on the June 2005 profit results is +\$8.5 million (before tax).

(ii) Foreign Currency Translation Reserve

Under AASB 1, an entity has the option of resetting its opening foreign currency translation reserve (FCTR) to zero at the date of transition. If this option is selected, any gain or loss on disposal of a foreign operation will exclude the translation differences that arose before the date of transition to A-IFRS. At 30 June 2004, the balance in AGL's FCTR was a loss of \$4.1 million, which arose from AGL's interests in New Zealand and Chile. AGL disposed of its interests in the New Zealand entity NGC in December 2004. On transition, AGL has elected to reset its FCTR to zero.

(iii) AASB 3 *Business Combinations*

Under this standard, goodwill will no longer be amortised but will be subject to impairment testing. Under A-IFRS, retail licenses will be accounted for as goodwill (refer note (vii)).

The amortisation of goodwill and the retail licenses for the year ended 30 June 2005 was \$39.9 million.

Under the provisions of AASB 1, an entity can elect to retrospectively restate some business combinations to comply with all of the requirements of A-IFRS (with all business combinations that occurred after the earliest restatement being restated) or an entity can elect to not restate any previous business combinations. Without these options, entities would have to undertake a restatement of all previous business combinations to ensure compliance with A-IFRS. If the election is made to restate some previous business combinations, or to not restate at all, AASB 1 still requires assets and liabilities that meet the recognition criteria under A-IFRS to be recognised at the date of transition and assets and liabilities that do not meet the recognition criteria to be derecognised. Adjustments to recognise or derecognise assets and liabilities are made against retained earnings except for adjustments that relate to intangible assets in which case the adjustment is made against goodwill.

Full retrospective application to all previous business combinations was considered impractical based on the fact that AGL, being Australia's second oldest company, was formed in 1837. As assets and liabilities are required to be recognised or derecognised in accordance with A-IFRS regardless of restatement, it was decided not to restate previous business combinations.

AGL has therefore elected to not apply AASB 3 retrospectively to past business combinations. Accordingly, the accumulated amortisation of goodwill and retail licenses at the date of transition of 1 July 2004 will not be reversed.

There is no financial impact on transition. The estimated financial impact on the 30 June 2005 profit results is +\$39.9 million.

(iv) AASB 2 *Share Based Payments*

AASB 2 applies to all share based payments that were issued after 7 November 2002 but were not vested by 1 January 2005. This standard requires share-based payments to be measured at fair value at grant date and expensed over the vesting period. The vesting period is determined by the conditions of the employee share ownership plan. This will result in a change to AGL's current accounting policy, which does not require share-based payments to be expensed. AGL has the following share plans that exist at the date of transition to A-IFRS:

- Management Share Plan
- Share Loan Plan
- Share Purchase Plan
- Share Reward Plan
- Long Term Incentive Plan

The last issue under the Management Share Plan was in November 1996. At 30 June 2005, loans outstanding under this plan were \$0.3 million, however no adjustment has been made as this falls within the transitional provisions.

The Share Loan Plan will be treated as an insubstance option so the loan balance of \$14.2 million at the date of transition will be debited to an employee equity settled benefits reserve on transition. Dividends paid in the future

for this plan will be accounted for as a partial exercise of the options and charged to the employee equity settled benefits reserve. This plan is now closed to new participants.

An expense is already recognised for the Share Purchase Plan so no further adjustments are required for A-IFRS.

An expense for the Share Reward Plan and Long Term Incentive Plan will be recognised over the vesting period based on the fair value of the shares at grant date. The full annual expense for these share-based payments as calculated under this Standard has not been recognised in the period to 30 June 2005 due to the exemption for shares that vest prior to 1 January 2005. A full financial impact of these share plans is estimated to be \$8.0 million before tax. On transition, an adjustment between retained earnings and equity of \$0.8 million reflects the accumulated expense of the rights arising from the Long Term Incentive Plan on transition date that do not vest until after 1 January 2005.

On transition, the estimated financial impact on opening net assets is -\$14.2 million (before tax) and the impact on the June 2005 profit results is -\$4.1 million (before tax).

(v) Adjustments relating to NGC

AGL disposed of its interests in NGC in December 2004. Additional deferred tax liabilities and other transitional adjustments were recognised on the transition to AIFRS, which resulted in an increase to the reported profit on sale of NGC in December 2004. This is not an ongoing adjustment.

(vi) AASB 112 *Income Taxes*

In accordance with AGAAP, AGL's current accounting policy is to apply the "Income Statement" method to calculating income tax expense. Under this method, income tax expense was calculated on pre-tax accounting profits after adjustments for permanent differences. The tax effect of timing differences was recognised as either a deferred tax asset or deferred tax liability. AASB 112 adopts a "Balance Sheet" approach, which recognises deferred tax amounts for any differences between the accounting and tax value of assets and liabilities. As AASB 112 has a "Balance Sheet" approach to the calculation of deferred tax amounts rather than an "Income Statement" approach, this Standard will result in adjustments to currently recognised tax assets and tax liabilities. In addition the income tax expense and deferred tax amounts calculated under AASB 112 may be affected by other AIFRS Standards and resulting adjustments to the extent that they impact on the carrying value of assets and liabilities.

On transition, the estimated financial impact on opening net assets is -\$83.9 million and the impact on the June 2005 profit results is +\$0.6 million. A reduction to the deferred tax liability of \$1.1 million arises from the recognition through retained earnings of actuarial losses.

The increase in the deferred tax liability on transition arises from the recognition of deferred taxes associated with fair value adjustments in relation to business combinations, investments in associates and from the previously categorised permanent differences between the book and tax carrying amounts of property, plant and equipment.

(vii) AASB 138 *Intangible Assets*

Under AIFRS, AGL has formed the view that retail licenses do not meet the criteria for recognition as an identifiable intangible asset. In accordance with AASB 1 these retail licenses will be recognised as goodwill (written down value at 30 June 2004 of \$1,179.4 million). There will be no further amortisation of the licenses when reclassified but they will be subject to impairment testing.

(viii) Property, Plant and Equipment

AASB 1 provides four transitional options with respect to the valuation of property, plant and equipment. These options are available on an individual asset basis. These options are:

- Depreciated historical cost
- Fair value as deemed cost;
- A previous GAAP revaluation which is then deemed to be cost; or
- Fair value at the date of a previous Initial Public Offering or privatisation.

These options are also available for intangible assets.

AGL has elected to choose those options that result in maintaining current carrying values. As a result there is no transitional or ongoing differences arising from this Standard. The basic grouping of assets and the valuation options adopted are:

Asset	A-IFRS Option
Assets held at cost	Depreciated historical cost
Gas Networks	Previous GAAP revaluation deemed as cost
Property	Previous GAAP revaluation deemed as cost
Distribution Licences	Fair value at date of privatisation

(ix) Impairment of Assets

Impairment testing is required to be undertaken whenever there is an indication of impairment and annually for goodwill and indefinite life intangibles. No impairment was identified at the date of transition of 1 July 2004. The write down of the networks business under AGAAP at 30 June 2005 was calculated consistently with the requirements under AASB 136. No other impairments have been identified to 30 June 2005.

(x) AASB 1 *First Time Adoption of A-IFRS*

AGL's date of transition to Australian Equivalents to IFRS is 1 July 2004 and AGL will be required to prepare an opening Statement of Financial Position at that date. Financial statements under current Australian accounting standards are still required to be prepared for the year ended 30 June 2005. AGL's first A-IFRS financial report will be for the interim financial report for the period ending 31 December 2005.

Opening adjustments to comply with retrospective application of the A-IFRS standards will be made to retained earnings except for adjustments to intangibles acquired in a business combination, which will be made against goodwill.

(xi) AASB 139 *Financial Instruments*

This standard requires all derivatives, including embedded derivatives, to be measured at fair value on the Balance Sheet regardless of the use of the derivative. This standard will result in key differences in accounting policy.

AGL has decided to apply the exemption provided in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities to not apply the requirements of AASB 132 Financial Instruments, Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. AASB 139 contains strict documentation and designation criteria that must be met in order to achieve hedge accounting. Due to the complexities and uncertainties in AASB 139, particularly in relation to energy derivatives, AGL was not in a position to meet the documentation and designation requirements at 30 June 2004 and so has elected to not restate comparative information for AASB 132 and AASB 139. The standards will be applied from 1 July 2005.

This standard requires significant system changes to ensure that derivatives meet hedge accounting requirements. AGL has been developing its own in-house software to deal with the complexities of energy derivatives and is using off-the-shelf software for the management of treasury positions. This standard has strict hedge accounting criteria and where these are not met, movements in the fair value of derivatives will result in impacts on reported profit. From 1 July 2005, derivatives will be required to be fair valued and included on the Balance Sheet. AGL currently applies hedge accounting to derivatives, which are only recorded through profit on settlement.

Energy derivatives

AGL uses derivatives to help manage exposures to wholesale electricity and gas price fluctuations. These derivatives will mainly be classified as cash flow hedges. The Energy Supply Association of Australia, on behalf of a number of its members, has lodged a submission with the UIG seeking clarification on the application of this standard to the Australian electricity industry. This submission has been referred to the International Financial Reporting Interpretations Committee (IFRIC) and a final decision is pending. At 30 June 2005, the fair value of

energy derivatives was a negative \$227.8 million. Adjustments arising from the transition to AASB 139 will include the recognition of this fair value.

Treasury derivatives

AGL uses treasury derivatives to help manage exposures to interest rate and foreign exchange movements. These derivatives will mainly be fair value hedges. AGL has restructured its portfolio to minimise the impact on fair value fluctuations through profit. At 30 June 2005, the fair value of treasury derivatives was a negative \$40.7 million. Adjustments arising from the transition to AIFRS will include the recognition of this fair value as well as the fair value of the risks being hedged by these derivatives and foreign exchange differences.

Note 16 – Subsequent Events

PNG

On 5 July 2005 The Australian Gas Light Company (AGL) announced its conditional commitment to an investment in the upstream PNG Gas Project.

This investment comprises:

- A \$4.5 billion conditional Gas Supply Agreement with PNG Gas Project producers to purchase around 1,500 petajoules of gas over 20 years from 2009.
- A \$400 million conditional agreement with Oil Search Limited (Oil Search) to acquire an equity interest of 10 per cent in the upstream PNG Gas Project.

Capital Management

On 24 February 2005 AGL announced its intention to commence an on-market buy-back of its shares as part of its capital management program. On 2 August 2005, AGL lodged the necessary forms with ASIC to commence this process. AGL expects the buy-back program to be completed by the end of 2005.

**The Australian Gas Light Company and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2005**

Note 17 – Information on audits or review

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX .
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.



The accounts have been audited.



The accounts have been subject to review.



The accounts are in the process of being audited or subject to review.



The accounts have *not* yet been audited or reviewed.

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



Mark Johnson (Chairman)

25 August 2005