

Five Year Summary

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|--|----------------|---------|---------|---------|---------|
| Statistics | | | | | |
| Sales revenue (\$m) | 1,137.3 | 907.1 | 880.6 | 801.5 | 773.6 |
| Depreciation and amortisation (\$m) | 86.3 | 72.3 | 62.2 | 59.6 | 57.5 |
| Profit before borrowing costs, tax and abnormal items (\$m) | 288.7 | 234.5 | 205.0 | 167.9 | 152.8 |
| Borrowing costs – net (\$m) | 41.2 | 30.1 | 33.7 | 29.8 | 30.7 |
| Tax expense (\$m) | 69.4 | 56.2 | 46.8 | 35.5 | 34.4 |
| Profit after tax and before abnormal items (\$m) | 178.1 | 148.2 | 124.5 | 102.6 | 87.7 |
| Net profit attributable to Proprietors (\$m) | 196.4 | 148.1 | 124.3 | 94.0 | 87.2 |
| Issued capital (\$m) | 322.7 | 291.0 | 290.5 | 281.3 | 273.7 |
| Proprietors' equity (\$m) | 1,392.5 | 897.2 | 850.9 | 771.5 | 720.5 |
| Net borrowings (\$m) | 881.0 | 343.2 | 406.2 | 309.4 | 409.5 |
| Total assets (\$m) | 2,982.2 | 1,822.3 | 1,799.2 | 1,607.6 | 1,650.9 |
| Funds employed (\$m) | 2,279.6 | 1,249.0 | 1,398.3 | 1,220.3 | 1,285.1 |
| Net assets (\$m) | 1,392.7 | 897.5 | 985.9 | 906.0 | 855.0 |
| Operating cash flow (\$m) | 264.4 | 256.7 | 213.3 | 232.4 | 233.6 |
| Capital expenditure (\$m) | 252.9 | 191.7 | 108.5 | 103.1 | 92.1 |
| Number of employees | 2,096 | 1,794 | 2,123 | 2,272 | 2,442 |
| Number of Proprietors | 41,738 | 34,419 | 29,338 | 26,112 | 25,883 |
| Market capitalisation (\$m) | 3,258.8 | 2,269.7 | 1,536.8 | 1,254.5 | 1,100.2 |
| Performance Indicators | | | | | |
| Net tangible assets attributable to Proprietors/share (\$) | 2.44 | 3.07 | 2.91 | 2.72 | 2.61 |
| Net assets attributable to Proprietors/share (\$) | 4.31 | 3.08 | 2.93 | 2.74 | 2.63 |
| Earnings/share ⁽¹⁾ | | | | | |
| – before abnormal items (c) | 59.6 | 51.0 | 43.4 | 37.0 | 32.1 |
| – after abnormal items (c) | 65.8 | 51.0 | 43.4 | 33.9 | 32.1 |
| Dividends/share (c) | 41.0 | 36.0 | 30.0 | 26.0 | 22.0 |
| Operating cash flow/share (c) ⁽²⁾ | 88.6 | 88.4 | 74.4 | 83.9 | 86.0 |
| Profit before borrowing costs, tax and abnormal items/sales revenue (%) | 25.4 | 25.9 | 23.3 | 20.9 | 19.8 |
| Profit before borrowing costs, tax and abnormal items/average funds employed (%) | 16.4 | 17.7 | 15.7 | 13.4 | 12.0 |
| Earnings on Proprietors' equity ⁽³⁾ | | | | | |
| – before abnormal items (%) | 15.5 | 16.9 | 15.3 | 13.7 | 12.5 |
| – after abnormal items (%) | 17.2 | 16.9 | 15.3 | 12.6 | 12.5 |
| Debt:equity (%) ⁽⁴⁾ | 63.3 | 38.2 | 41.2 | 34.2 | 47.9 |
| Net borrowing costs cover (times) ⁽⁵⁾ | 7.0 | 7.8 | 6.1 | 5.6 | 5.0 |
| Current ratio ⁽⁶⁾ | 0.86 | 0.81 | 1.24 | 0.82 | 1.16 |
| Sales revenue/employee (\$000) | 584.7 | 463.0 | 400.6 | 340.1 | 321.5 |
| Profit before borrowing costs, tax and abnormal items/employee (\$000) | 148.4 | 119.7 | 93.3 | 71.2 | 63.5 |

(1) Profit after tax and outside equity interests; shares weighted for issues and adjusted for bonus elements.

(2) Net cash provided by operating activities; shares weighted for issues and adjusted for bonus elements.

(3) Profit after tax and outside equity interests; Proprietors' equity averaged for movements during the year.

(4) Net borrowings as a percentage of total capital and reserves.

(5) Net borrowing costs related to profit before borrowing costs, tax and abnormal items.

(6) Liquidity was supported by \$650 million of unused credit facilities (refer Note 42(b) of the financial statements).

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Profit and Loss Accounts

| for the year ended 30 June 1998 | | Note | Consolidated | | Chief Entity | |
|---|------|------|----------------|-------------|----------------|-------------|
| | | | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Operating revenue | | | | | | |
| Continuing operations | | | 1,328.1 | 995.3 | 501.2 | 455.2 |
| Property operations | 2(u) | | 9.8 | 77.2 | 1.3 | 4.4 |
| | 4(a) | | 1,337.9 | 1,072.5 | 502.5 | 459.6 |
| Operating profit before borrowing costs, abnormal items and income tax | | | | | | |
| Continuing operations | | | 287.6 | 224.6 | 151.2 | 136.5 |
| Property operations | 2(u) | | 1.1 | 9.9 | (0.1) | 0.5 |
| | | | 288.7 | 234.5 | 151.1 | 137.0 |
| Net borrowing costs or interest revenue | | | (41.2) | (30.1) | 12.9 | 14.4 |
| Operating profit before abnormal items and income tax | 4 | | 247.5 | 204.4 | 164.0 | 151.4 |
| Abnormal items | 5 | | 22.2 | 0.0 | 10.2 | 0.0 |
| Operating profit before income tax | | | 269.7 | 204.4 | 174.2 | 151.4 |
| Income tax attributable to operating profit before abnormal items | | | (69.4) | (56.2) | (3.3) | (3.3) |
| Income tax attributable to abnormal items | 5 | | (3.8) | 0.0 | 0.0 | 0.0 |
| Income tax attributable to operating profit | 6 | | (73.2) | (56.2) | (3.3) | (3.3) |
| Operating profit after income tax before abnormal items | | | 178.1 | 148.2 | 160.7 | 148.1 |
| Profit on abnormal items after income tax | | | 18.4 | 0.0 | 10.2 | 0.0 |
| Operating profit after income tax | | | 196.5 | 148.2 | 170.9 | 148.1 |
| Outside equity interests in operating profit after income tax | | | (0.1) | (0.1) | 0.0 | 0.0 |
| Operating profit after income tax attributable to Proprietors of the Chief Entity | | | 196.4 | 148.1 | 170.9 | 148.1 |
| Retained profits at the beginning of the financial year | | | 275.7 | 232.4 | 331.0 | 287.7 |
| Adjustment resulting from a change in accounting policy | 2(x) | | 18.2 | 0.0 | 0.0 | 0.0 |
| Total available for appropriation | | | 490.3 | 380.5 | 501.9 | 435.8 |
| Dividends provided for or paid | 7 | | (126.4) | (104.8) | (126.4) | (104.8) |
| Retained profits at the end of the financial year | | | 363.9 | 275.7 | 375.5 | 331.0 |
| Earnings per share | | | | | | |
| Basic earnings per share (cents) | | | | | | |
| Including abnormal items | | | 65.8 | 51.0 | | |
| Excluding abnormal items | | | 59.6 | 51.0 | | |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (millions) | | | | | | |
| | | | 298.5 | 290.6 | | |
| Diluted earnings per share is the same as basic earnings per share. | | | | | | |

Balance Sheets

| as at 30 June 1998 | | Note | Consolidated | | Chief Entity | |
|---|--|------|----------------|-------------|----------------|-------------|
| | | | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Current assets | | | | | | |
| Cash | | | 5.8 | 8.2 | 0.3 | 4.1 |
| Receivables | | 8 | 251.5 | 150.1 | 51.3 | 46.4 |
| Inventories | | 9 | 29.8 | 28.1 | 0.0 | 0.0 |
| Investments | | 10 | 0.0 | 0.3 | 0.0 | 0.0 |
| Property, plant and equipment | | 11 | 10.7 | 3.3 | 8.4 | 0.0 |
| Other | | 12 | 7.7 | 57.3 | 1.0 | 1.1 |
| Total current assets | | | 305.5 | 247.3 | 61.0 | 51.6 |
| Non-current assets | | | | | | |
| Receivables | | 13 | 48.7 | 45.5 | 1,851.5 | 945.0 |
| Inventories | | 14 | 2.4 | 5.3 | 0.0 | 0.0 |
| Investments | | 15 | 318.5 | 413.5 | 461.2 | 465.8 |
| Property, plant and equipment | | 16 | 1,491.8 | 939.1 | 34.9 | 42.7 |
| Intangibles | | 17 | 605.6 | 4.2 | 0.0 | 0.0 |
| Deferred expenditure | | 18 | 163.0 | 134.7 | 17.9 | 1.2 |
| Other | | 19 | 46.7 | 32.7 | 4.0 | 2.5 |
| Total non-current assets | | | 2,676.7 | 1,575.0 | 2,369.5 | 1,457.2 |
| Total assets | | | 2,982.2 | 1,822.3 | 2,430.5 | 1,508.8 |
| Current liabilities | | | | | | |
| Accounts payable | | 20 | 157.3 | 113.3 | 46.2 | 42.7 |
| Borrowings | | 21 | 15.7 | 34.3 | 8.6 | 21.4 |
| Provisions | | 22 | 154.3 | 121.8 | 74.6 | 61.0 |
| Unearned revenue | | 23 | 26.8 | 19.0 | 4.1 | 0.0 |
| Total current liabilities | | | 354.1 | 288.4 | 133.5 | 125.1 |
| Non-current liabilities | | | | | | |
| Accounts payable | | 24 | 22.3 | 21.8 | 0.0 | 0.0 |
| Borrowings | | 25 | 871.1 | 317.1 | 905.4 | 417.0 |
| Provisions | | 26 | 291.3 | 232.3 | 16.0 | 12.8 |
| Unearned revenue | | 27 | 50.7 | 65.2 | 0.0 | 0.0 |
| Total non-current liabilities | | | 1,235.4 | 636.4 | 921.4 | 429.8 |
| Total liabilities | | | 1,589.5 | 924.8 | 1,054.9 | 554.9 |
| Net assets | | | 1,392.7 | 897.5 | 1,375.6 | 953.9 |
| Equity | | | | | | |
| Issued capital | | 28 | 322.7 | 291.0 | 322.7 | 291.0 |
| Reserves | | 29 | 705.9 | 330.5 | 677.4 | 331.9 |
| Retained profits | | | 363.9 | 275.7 | 375.5 | 331.0 |
| Equity attributable to Proprietors of the Chief Entity | | | 1,392.5 | 897.2 | 1,375.6 | 953.9 |
| Outside equity interests in controlled entities | | 30 | 0.2 | 0.3 | 0.0 | 0.0 |
| Total equity | | | 1,392.7 | 897.5 | 1,375.6 | 953.9 |

Statements of Cash Flows

| for the year ended 30 June 1998 | | Note | Consolidated | | Chief Entity | |
|---|--|-------|--------------------|---------|--------------------|---------|
| | | | Inflows (outflows) | | Inflows (outflows) | |
| | | | 1998 | 1997 | 1998 | 1997 |
| | | | \$m | \$m | \$m | \$m |
| Cash flows from operating activities | | | | | | |
| Receipts from customers | | | 1,103.6 | 932.5 | 266.1 | 263.3 |
| Payments to suppliers and employees | | | (799.3) | (662.7) | (280.2) | (257.7) |
| Proceeds from property mortgage repayments | | | 3.8 | 3.7 | 0.0 | 0.0 |
| Dividends received | | | 28.3 | 31.9 | 161.4 | 143.2 |
| Interest received | | | 19.8 | 23.0 | 55.0 | 51.6 |
| Borrowing costs paid | | | (45.7) | (30.2) | (38.2) | (35.6) |
| Income taxes paid | | | (46.1) | (41.5) | (2.0) | (19.9) |
| Net cash provided by operating activities | | 42(d) | 264.4 | 256.7 | 162.1 | 144.9 |
| Cash flows from investing activities | | | | | | |
| Payments for property, plant and equipment | | | (259.4) | (176.1) | (10.9) | (1.3) |
| Payments for investments | | | (28.8) | (20.0) | 0.0 | 0.0 |
| Payments for acquisition of controlled entities | | 42(e) | (222.9) | 0.0 | 0.0 | 0.0 |
| Payments for additional investments in controlled entities | | | 0.0 | (0.1) | 0.0 | 0.0 |
| Loans advanced | | | (3.4) | (11.6) | (3.4) | (3.1) |
| Proceeds from sale of property, plant and equipment | | | 6.4 | 73.8 | 0.1 | 0.3 |
| Proceeds from disposal of investments | | | 59.4 | 36.8 | 14.7 | 0.0 |
| Proceeds from loan repayments | | | 12.3 | 3.3 | 3.6 | 3.2 |
| Net cash provided by (used in) investing activities | | | (436.4) | (93.9) | 4.1 | (0.9) |
| Cash flows from financing activities | | | | | | |
| Proceeds from issue of shares | | | 376.9 | 3.1 | 376.9 | 3.1 |
| Proceeds from borrowings and hedge receipts on foreign currency borrowings | | | 635.6 | 0.0 | 635.5 | 0.0 |
| Proceeds from repayment of borrowings by controlled entities | | | 0.0 | 0.0 | 0.0 | 12.5 |
| Repayment of borrowings and hedge payments on foreign currency borrowings | | | (738.0) | (67.3) | (94.3) | (59.8) |
| Loans advanced to controlled entities | | | 0.0 | 0.0 | (982.0) | 0.0 |
| Dividends and other distributions paid | | | (113.9) | (96.3) | (113.6) | (95.9) |
| Net cash provided by (used in) financing activities | | | 160.6 | (160.5) | (177.5) | (140.1) |
| Net increase (decrease) in cash held | | | (11.4) | 2.3 | (11.3) | 3.9 |
| Cash at the beginning of the financial year | | | 7.2 | 4.9 | 3.9 | 0.0 |
| Cash at the end of the financial year | | 42(a) | (4.2) | 7.2 | (7.4) | 3.9 |

Notes to the Financial Statements

for the year ended 30 June 1998

Note 1 – Regulation

The Chief Entity was established as an unincorporated organisation by Act of Council, 8 William IV, 7 September 1837 and is regulated by the accounting and auditing requirements of the Corporations Law.

Note 2 – Statement of significant accounting policies

(a) Basis of accounting

The financial statements constitute a general purpose financial report and are prepared in accordance with the Corporations Law and applicable accounting standards.

The financial statements are prepared on the basis of historical cost and, except where otherwise stated, are not adjusted to take account of either changing money values or current valuations of non-current assets. Where non-current assets are revalued, either the expected net cash flows used in determining recoverable amounts are discounted to present value or the revaluations are based on current market buying or selling prices.

(b) Principles of consolidation

The consolidated financial statements of the economic entity comprise a consolidation of the financial statements of The Australian Gas Light Company (the Chief Entity) and each of its controlled entities listed in Note 37. All inter-entity balances and transactions are eliminated.

(c) Receivables

Debtors, loans receivable and other receivables are carried at amounts due or amounts expected to be realised, whichever is the lesser.

Unbilled gas and electricity revenue represents estimated gas and electricity supplied to consumers but unbilled at the end of the financial year.

Receivables are normally recognised when control of goods and services provided by the economic entity passes to the buyers.

Provisions are raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

(d) Inventories

Stocks and materials are valued at the lower of cost and estimated net realisable value. Cost includes both fixed and variable expenses.

Property held for development and sale is valued at the lower of cost plus capitalised development and holding costs, and estimated net realisable value.

The conditions of purchase of certain inventories include retention of title clauses. Under such clauses, ownership of the inventories does not fully pass to the economic entity until the suppliers have been paid in full.

(e) Investments

Investments in controlled entities are shown at cost or at directors' valuation based on either estimated recoverable amounts or the fair values of the net tangible assets.

Investments in associates are shown at cost plus the economic entity's share of the post-acquisition undistributed profits and reserves of the associates. The results of associates are accounted for by the equity method (refer to Note 2(x)).

Investments in other entities are shown at cost or directors' valuation based on fair values and dividend income or distributions from such entities are brought to account as operating profit.

Interests in unincorporated joint ventures are recognised by including in the financial statements under the appropriate categories the relevant proportion of joint venture income, costs, assets and liabilities.

Revaluations of investments are not made in accordance with a policy of regular revaluations.

(f) Property, plant and equipment

Purchased assets

Where carrying values exceed recoverable amounts, items of property, plant and equipment are revalued by directors to the recoverable amounts (refer to Note 2(x)). Items of property, plant and equipment which are not shown at valuation are brought to account at cost. For major items, cost includes, where applicable, borrowing and other costs incurred during construction or represents, where applicable, the fair value of assets acquired on the purchase of controlled entities.

Property, plant and equipment, other than freehold land, leasehold improvements and surplus properties held for sale, are depreciated at rates based upon the expected useful lives of the assets.

Leasehold improvements are amortised over the periods of the relevant leases or the expected useful lives of the improvements, whichever are the shorter.

Revaluations of purchased assets are not made in accordance with a policy of regular revaluations.

Leased assets

Assets acquired under finance leases are capitalised and amortised over their expected useful lives. Corresponding liabilities are also established and lease payments are allocated between interest expense and lease liabilities with the interest component being charged against profits as incurred.

Payments made under operating leases are expensed.

(g) Goodwill

Goodwill represents the difference between acquisition costs and the fair values of the identifiable net assets of controlled entities acquired by the economic entity and is amortised over the period of time during which the future benefits are expected to arise or twenty years, whichever is the shorter. The unamortised balance is reviewed at each balance date and, to the extent that future benefits are no longer probable, charged against profits.

Goodwill is currently being amortised, on a straight line basis, over periods to 30 June 2006 and 31 December 2017.

(h) Licences

Licences are carried at cost to the economic entity, cost representing the fair value of the electricity licences acquired on the purchase of a controlled entity. The licences have indeterminable useful lives and, accordingly, are not amortised. However, the carrying amounts of the licences are reviewed at each reporting date.

(i) Deferred expenditure

Borrowing expenses relating to long-term facilities are capitalised and amortised over periods not exceeding the term of each borrowing.

Other expenditures which provide benefits beyond the current accounting period are deferred and amortised over the periods during which the benefits are expected to arise, ranging from three to twenty years. These expenditures principally relate to computer software and gas industry operations (the connection of new customers to the gas system, the conversion of existing customers' appliances to the use of natural gas and other gas industry expenditures).

Notes to the Financial Statements

for the year ended 30 June 1998

Note 2 – Statement of significant accounting policies (continued)

(j) Accounts payable

Creditors and other payables, including accruals not yet billed, are recognised when the economic entity becomes obliged to make future payments principally as a result of purchases of goods and services and receipt of refundable deposits held as security over future gas and electricity usage by consumers.

(k) Borrowings

Borrowings (bank borrowings, debentures, bank overdrafts, promissory notes, senior notes and debentures and other borrowings) are recognised at amounts due on settlement. Interest on the instruments is recognised as an expense on an accruals basis.

(l) Restoration and rehabilitation costs

In determining recoverable amounts in respect of gas pipelines, allowance is made for the cost of the restoration of land associated with pipeline activities.

Provision is made for the costs of restoration and rehabilitation of sites used in gas and electricity operations.

(m) Taxation

The liability method of tax effect accounting is applied. Under this method, income tax expense is based on operating profit adjusted for any permanently non-allowable and non-assessable items.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit and taxable income, are brought to account at prevailing tax rates, as either a provision for deferred income tax or as a future income tax benefit.

Future income tax benefits relating to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits. In bringing to account such losses, it is assumed that no adverse change will occur in income tax legislation, that the Chief Entity and its relevant controlled entities will derive sufficient future assessable income to enable the benefits to be realised and that those entities will continue to comply with the conditions of deductibility imposed by law.

The potential effect of any capital gains tax is not recognised in the revaluation of current and non-current assets.

(n) Employee entitlements

Liabilities for wages, salaries and annual leave and other employee entitlements which are expected to be settled within twelve months of reporting date are accrued at nominal amounts, calculated on the basis of current wage and salary rates, plus relevant employment on-costs.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued at nominal amounts calculated on the basis of current wage and salary rates. The liabilities ascertained using this method are not materially different from the liabilities determined using the present value method of measurement.

Contributions to employee superannuation plans are expensed as the contributions are paid or become payable. No amount is recognised in the financial statements in respect of the net surplus or deficiency of each plan.

Expenses relating to shares issued pursuant to employee share ownership plans are recognised as incurred. Amounts outstanding on employee share loans are included in receivables.

(o) Revenue recognition

Gas and electricity revenue represents accounts rendered plus an accrual for unbilled revenue at the end of the financial year (refer to Note 2(x)).

Customer contributions towards infrastructure are recognised as income in the periods in which the infrastructure is completed.

(p) Gas customers' reserve account (refer to Note 31)

Pursuant to the NSW Gas Supply Act 1996, the former gas customers' reserve account has been made available to AGL Gas Networks Limited for the purposes of offsetting part of the financial effects of reductions in network transportation charges to contract customers necessary to unwind cross-subsidies, the rehabilitation of a former major gasworks site and promotional initiatives targeted at growth in the tariff market.

(q) Foreign currencies

Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the dates of those transactions. Amounts payable and receivable in foreign currencies at balance date are converted to Australian dollars at exchange rates ruling on that date.

Exchange differences arising from the conversion of amounts payable and receivable in foreign currencies are brought to account as gains or losses in the periods in which the differences arise.

Translation of foreign currency financial statements

Assets and liabilities of self-sustaining foreign-controlled entities are translated into Australian dollars at exchange rates ruling at balance date. Profits and losses of such controlled entities are translated at average exchange rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Assets and liabilities of integrated foreign controlled entities are translated into Australian dollars at historical rates of exchange or, in the case of monetary items, at exchange rates ruling at balance date. Profits and losses of such controlled entities are translated at average exchange rates ruling during the year. Exchange differences arising on translation are either brought to account as gains or losses in the periods in which the differences arise or, where such differences are attributable to qualifying assets, included in the costs of acquisition of such assets.

Hedging of foreign currency commitments

Exchange differences arising on hedges of specific purchase and sale commitments are deferred until the date of the relevant transaction and included in the measurement of the purchase or sale.

Exchange differences relating to other hedge transactions are either brought to account as gains or losses in the periods in which the differences arise or, in the case of initial gains or costs, brought to account over the periods of the hedge transactions. On consolidation, gains or losses on hedge transactions entered into in relation to net investments in self-sustaining foreign controlled entities are transferred to the foreign currency translation reserve.

The carrying amounts of forward foreign exchange contracts, which comprise net receivables and payables accrued, are included in assets or liabilities respectively.

for the year ended 30 June 1998

Note 2 – Statement of significant accounting policies (continued)

(r) Derivative financial instruments

Derivative financial instruments are entered into in order to manage financial risks, as outlined in Note 44.

Payments and receipts under interest rate swaps, forward rate agreements and interest rate options are recognised in the profit and loss account on a basis consistent with corresponding fluctuations in interest expense on floating rate debt. The carrying amounts of these financial instruments, which comprise net interest receivables and payables accrued, are included in assets or liabilities respectively.

Foreign exchange contracts are accounted for as outlined in Note 2(q).

(s) Electricity purchase contracts

Wholesale market purchase contracts are used to provide a hedge in respect of the purchase cost of electricity. Option fees and amounts receivable and payable are brought to account on an accruals basis.

(t) Cash flows

For the purpose of the statements of cash flows, cash includes cash on hand, cash held at call with financial institutions and money market investments, net of bank overdrafts and money market borrowings.

(u) Property operations

The economic entity is continuing its orderly withdrawal from real property activities, comprising the development, sale and rental of residential, commercial and industrial properties and the sale of properties surplus to the requirements of the economic entity. Accordingly, operating revenue and operating profit before borrowing costs and income tax attributable to property activities have been separately identified from continuing operations in the profit and loss accounts of the economic entity and the Chief Entity.

(v) Comparative figures

Where necessary, figures for the previous financial year are restated to conform with changes in presentation of the current financial year.

(w) Rounding of amounts

Unless otherwise specified, amounts in the financial statements are shown to the nearest tenth of a million dollars in accordance with ASIC class order 97/1005 issued 9 July 1997. The Chief Entity is an entity to which the class order applies.

(x) Changes in accounting policies

Accounting for associates

Investments in associates were previously accounted for by the cost method and dividends were recognised in the profit and loss account when receivable. The economic entity has applied ASIC class order 97/798 issued 5 June 1997, which provides relief from the requirements of accounting standard AASB 1016 'Disclosure of Information about Investments in Associated Companies' on condition that the economic entity complies with the proposed revised accounting standard AASB 1016 'Accounting for Investments in Associates'. Accordingly, the equity method has been applied this year in accounting for investments in associates in the consolidated financial statements.

Net adjustments of \$18.2 million and \$34.3 million respectively have been made to consolidated retained profits and asset revaluation reserve at the beginning of the financial year to recognise the equity accounted amounts of the investments on the initial application of the standard. The change in accounting policy has resulted in a further increase of \$23.8 million in the aggregate consolidated carrying amount of the investments at the end of the financial year with related increases of \$13.3 million in both the consolidated operating profit after income tax for the year and retained earnings at the end of the year and a reduction of \$0.8 million in reserves at the end of the year.

Revaluation of non-current land and buildings

The classes of assets comprising non-current land and buildings (excluding surplus properties held for sale) were previously revalued by directors at 30 June each year. This practice has now been discontinued given the relative immateriality of these classes of assets.

The change in accounting policy has had no material effect on the profit of the economic entity for the year ended 30 June 1998 or on the financial position of the economic entity as at that date.

Revenue recognition

Gas revenue was previously not brought to account until customers' meters were read and bills rendered. The cost of gas (including overheads) supplied to customers but not billed at year end was estimated and treated as a prepayment in accordance with the principle of matching costs and revenue in each accounting period.

AGL Electricity (formerly Solaris Power) became a controlled entity during the financial year. It has an accounting policy whereby electricity revenue represents accounts rendered plus an accrual for unbilled revenue at the end of the financial year. As with gas, the principle of matching costs and revenue in each accounting period is followed.

Given the conflicting accounting policies in respect of gas and electricity revenue recognition, the economic entity has changed its accounting policy in respect of gas revenue recognition so that the policy is now consistent with the policy relating to electricity revenue recognition and in accordance with current generally accepted accounting practice.

The change in accounting policy has resulted in increases of \$6.7 million in the consolidated operating profit after income tax for the year and retained earnings at the end of the year with a related increase of \$61.6 million in revenue for the year. The increase in the consolidated operating profit after income tax has been treated as an abnormal item of profit.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Operating revenue | | Operating result | | Total assets | |
|---|-------------------|-------------|------------------|-------------|----------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 3 – Segment Information | | | | | | |
| Industry segments | | | | | | |
| Energy | | | | | | |
| <i>Natural gas</i> | | | | | | |
| Infrastructure | | | | | | |
| Networks | 380.0 | | 142.6 | | 949.0 | |
| Pipelines | 127.6 | | 34.1 | | 347.6 | |
| | 507.6 | | 176.7 | | 1,296.6 | |
| Sales and marketing | 773.0 | | 34.1 | | 152.3 | |
| Less network transportation charges | 351.3 | | 0.0 | | 0.0 | |
| | 421.7 | | 34.1 | | 152.3 | |
| | 929.3 | 897.4 | 210.8 | 188.8 | 1,448.9 | 1,303.8 |
| <i>Electricity</i> | 198.4 | 15.7 | 53.0 | 15.6 | 1,128.3 | 160.0 |
| <i>LPG</i> | 23.0 | 20.0 | 10.3 | 8.3 | 76.0 | 74.4 |
| <i>International business</i> | 64.4 | 20.2 | 21.2 | 19.1 | 171.7 | 142.7 |
| <i>Abnormal item (Notes 2(x) and 5)</i> | 61.6 | 0.0 | 10.5 | 0.0 | 0.0 | 0.0 |
| | 1,276.7 | 953.3 | 305.8 | 231.8 | 2,824.9 | 1,680.9 |
| Property | 11.0 | 79.7 | 1.1 | 9.9 | 91.1 | 89.5 |
| Other | 47.7 | 45.1 | 6.6 | 0.7 | 30.5 | 31.7 |
| Segment totals | 1,335.4 | 1,078.1 | 313.5 | 242.4 | 2,946.5 | 1,802.1 |
| Unallocated items | 4.8 | 0.6 | (2.6) | (7.9) | 35.7 | 20.2 |
| | 1,340.2 | 1,078.7 | 310.9 | 234.5 | 2,982.2 | 1,822.3 |
| Less: inter-segment revenue | 2.3 | 6.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| net borrowing costs | 0.0 | 0.0 | 41.2 | 30.1 | 0.0 | 0.0 |
| | 1,337.9 | 1,072.5 | 269.7 | 204.4 | 2,982.2 | 1,822.3 |

Inter-segment revenue was derived as follows:

| | | |
|----------|------------|-----|
| Property | 1.2 | 2.6 |
| Other | 1.1 | 3.6 |
| | 2.3 | 6.2 |

Inter-segment pricing is on an 'arm's length' basis.

Revenue is principally derived from:

(i) Energy

Natural gas

Infrastructure

Networks – distribution of natural gas.

Pipelines – transportation of natural gas and management of gas pipelines.

Sales and marketing – sale of natural gas.

Electricity – distribution and sale of electricity. *LPG* – extraction and sale of LPG and investment in an associate involved in the LPG industry. *International business* – investments in foreign associates involved in the gas industry.

(ii) Property – sale and rental of properties.

(iii) Other – sale of nylon pipe and related products, disposal of investments and revenue from other activities.

Geographical segments

| | | | | | | |
|-------------|----------------|---------|--------------|-------|----------------|---------|
| Australia | 1,271.0 | 1,050.6 | 287.8 | 215.5 | 2,799.3 | 1,678.0 |
| New Zealand | 64.4 | 20.2 | 21.4 | 18.6 | 146.0 | 140.0 |
| Other | 2.5 | 1.7 | 1.7 | 0.4 | 36.9 | 4.3 |
| | 1,337.9 | 1,072.5 | 310.9 | 234.5 | 2,982.2 | 1,822.3 |

There was no material inter-segment revenue.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Natural gas | | Electricity | LPG | Inter-national business | |
|---|----------------|-----------|---------------------|---------|-------------------------|-------|
| | Infrastructure | | | | | |
| | Networks | Pipelines | Sales and marketing | 1998 | 1998 | |
| | 1998 | 1998 | 1998 | 1998 | 1998 | |
| | \$m | \$m | \$m | \$m | \$m | |
| Note 3 – Segment information (continued) | | | | | | |
| Information relating to energy segment | | | | | | |
| (a) Funds employed | | | | | | |
| Current assets | | | | | | |
| Cash | 2.5 | 1.2 | 0.4 | 0.9 | 0.1 | 0.2 |
| Receivables | 3.7 | 12.4 | 135.0 | 62.6 | 1.1 | 1.7 |
| Inventories | 2.4 | 0.1 | 5.4 | 0.0 | 0.1 | 0.0 |
| Property, plant and equipment | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 3.8 | 0.6 | 0.3 | 0.7 | 0.0 | 0.0 |
| Non-current assets | | | | | | |
| Receivables | 0.2 | 0.4 | 0.0 | 0.2 | 32.5 | 0.0 |
| Investments | 0.0 | 97.5 | 0.0 | 0.1 | 41.9 | 169.4 |
| Property, plant and equipment | 790.1 | 213.7 | 3.6 | 441.5 | 0.0 | 0.3 |
| Intangibles | 0.0 | 3.7 | 0.0 | 601.9 | 0.0 | 0.0 |
| Deferred expenditure | 136.7 | 0.6 | 0.1 | 7.8 | 0.0 | 0.0 |
| Other | 7.3 | 17.4 | 7.5 | 12.6 | 0.3 | 0.1 |
| Total assets | 949.0 | 347.6 | 152.3 | 1,128.3 | 76.0 | 171.7 |
| Current liabilities | | | | | | |
| Accounts payable | 34.8 | 14.4 | 36.5 | 51.7 | 0.4 | 0.2 |
| Provisions | 22.3 | 12.7 | 13.1 | 21.8 | 1.8 | 4.2 |
| Unearned revenue | 20.9 | 5.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities | | | | | | |
| Accounts payable | 0.0 | 0.0 | 21.5 | 0.8 | 0.0 | 0.0 |
| Provisions | 171.4 | 30.3 | 8.5 | 47.6 | 0.1 | 0.2 |
| Unearned revenue | 45.2 | 2.6 | 2.9 | 0.0 | 0.0 | 0.0 |
| Funds employed | 654.4 | 281.7 | 69.8 | 1,006.4 | 73.7 | 167.1 |
| (b) Profit before borrowing costs and abnormal items | | | | | | |
| Before income tax | 142.6 | 34.1 | 34.1 | 53.0 | 10.3 | 21.2 |
| After income tax | 95.7 | 26.2 | 21.7 | 32.0 | 8.6 | 17.7 |
| (c) Profit before borrowing costs and abnormal items/funds employed* (%) | | | | | | |
| Before income tax | 21.8 | 15.1 | 48.9 | 9.1 | 14.3 | 14.4 |
| After income tax | 14.6 | 11.6 | 31.1 | 5.5 | 12.1 | 12.0 |

* Weighted where appropriate.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|----------------|----------------|--------------|--------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 4 – Operating profit | | | | |
| Operating profit includes: | | | | |
| (a) Operating revenue | | | | |
| Sales revenue | 1,137.3 | 907.1 | 273.1 | 262.4 |
| Other revenue | | | | |
| Interest revenue | | | | |
| Controlled entities | | | | |
| Wholly-owned | 0.0 | 0.0 | 48.0 | 53.2 |
| Partly-owned | 0.0 | 0.0 | 0.4 | 0.0 |
| Associates | 6.1 | 15.9 | 0.0 | 0.0 |
| Other entities | 21.6 | 5.8 | 4.7 | 0.5 |
| Dividend revenue | | | | |
| Wholly-owned controlled entities | 0.0 | 0.0 | 161.1 | 142.8 |
| Associates | 0.0 | 36.5 | 0.0 | 0.0 |
| Other entities | 0.3 | 0.4 | 0.3 | 0.4 |
| Equity share of associates' profits (Note 40) | 41.3 | 0.0 | 0.0 | 0.0 |
| Proceeds from disposal of: | | | | |
| Current assets | 3.5 | 87.6 | 0.0 | 0.0 |
| Non-current assets | 51.5 | 19.2 | 0.2 | 0.3 |
| Revenue relating to abnormal items (Note 5) | 76.3 | 0.0 | 14.7 | 0.0 |
| | 1,337.9 | 1,072.5 | 502.5 | 459.6 |
| (b) Items of income | | | | |
| Net gain on disposal of assets | | | | |
| Investments | 2.5 | 2.6 | 0.0 | 0.0 |
| Property, plant and equipment | 3.7 | 8.5 | 0.1 | 0.1 |
| Write-back of provisions no longer required | | | | |
| Diminution in value of inventories | 0.0 | 0.1 | 0.0 | 0.0 |
| Pipeline contract restructuring | 1.3 | 1.3 | 0.0 | 0.0 |
| Net foreign currency exchange gain from non-speculative dealing | 0.5 | 0.4 | 0.8 | 0.3 |
| (c) Items of expense | | | | |
| Borrowing costs | | | | |
| Interest expense | | | | |
| Controlled entities | | | | |
| Wholly-owned | 0.0 | 0.0 | 5.4 | 8.7 |
| Other entities | 59.6 | 36.2 | 34.2 | 30.1 |
| Finance lease expenses | | | | |
| Finance charges | 1.5 | 2.8 | 0.0 | 0.0 |
| Contingent rental | (2.0) | (2.3) | 0.0 | 0.0 |
| Other borrowing costs | 2.5 | 0.5 | 0.7 | 0.5 |
| | 61.6 | 37.2 | 40.3 | 39.3 |
| Less amounts capitalised as part of the carrying values of assets | 4.0 | 1.3 | 0.0 | 0.0 |
| | 57.6 | 35.9 | 40.3 | 39.3 |
| Amounts provided for: | | | | |
| Diminution in value of capitalised research and development expenditure | 2.3 | 0.0 | 0.0 | 0.0 |
| Directors' retiring allowances | 0.3 | 0.3 | 0.3 | 0.3 |
| Doubtful debts (net of bad debts recovered) | 5.8 | 2.4 | 0.0 | 0.0 |
| Employee entitlements | 23.5 | 26.2 | 2.6 | 5.0 |
| Environmental rehabilitation | 0.0 | 0.1 | 0.0 | 0.0 |
| Property rental guarantees | 5.2 | 3.6 | 0.0 | 0.0 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|--------|--------------|--------|
| | 1998 | 1997 | 1998 | 1997 |
| | \$m | \$m | \$m | \$m |
| Note 4 – Operating profit (continued) | | | | |
| Amounts written off in respect of: | | | | |
| Exploration and evaluation expenditure | 0.0 | 1.0 | 0.0 | 0.0 |
| Inventories scrapped | 0.1 | 1.3 | 0.0 | 0.0 |
| Plant and equipment scrapped | 2.7 | 2.4 | 0.0 | 0.0 |
| Amortisation of: | | | | |
| Deferred expenditure | 17.9 | 17.0 | 0.0 | 0.1 |
| Goodwill | 2.4 | 0.5 | 0.0 | 0.0 |
| Right to receive net pipeline tariffs | 0.7 | 0.7 | 0.0 | 0.0 |
| Depreciation of: | | | | |
| Buildings | | | | |
| Freehold | 0.2 | 1.1 | 0.1 | 0.0 |
| Leasehold | 0.1 | 0.1 | 0.0 | 0.0 |
| Plant and equipment | | | | |
| Purchased assets | 62.8 | 50.8 | 0.8 | 0.7 |
| Leased assets | 2.2 | 2.1 | 0.0 | 0.0 |
| Net decrements arising on revaluation of: | | | | |
| Inventories | 0.1 | 0.0 | 0.0 | 0.0 |
| Investments | 0.0 | 0.0 | 0.1 | 0.0 |
| Property, plant and equipment | 2.4 | 0.3 | 0.0 | 0.0 |
| Receivables | 0.4 | 0.0 | 4.7 | 0.0 |
| Rental expense on operating leases | | | | |
| Goldline rehabilitation programme | 22.8 | 21.8 | 0.0 | 0.0 |
| Amadeus Gas Trust assets | 17.6 | 19.5 | 0.0 | 0.0 |
| Other | 12.3 | 10.3 | 5.4 | 5.2 |
| Research and development costs | 2.1 | 2.1 | 0.0 | 0.0 |
| The useful lives of certain computer software were assessed during the year. The financial effect was a net reduction of \$1.4 million in amortisation of deferred expenditure for the year. | | | | |
| Note 5 – Abnormal items | | | | |
| Profit on sale of investment | 11.7 | 0.0 | 10.2 | 0.0 |
| (Income tax expense applicable \$nil) | | | | |
| Effect of change in accounting policy on revenue recognition (Note 2(x)) | 10.5 | 0.0 | 0.0 | 0.0 |
| (Income tax expense applicable \$3.8 million) | | | | |
| | 22.2 | 0.0 | 10.2 | 0.0 |
| Note 6 – Income tax attributable to operating profit | | | | |
| Prima facie income tax expense on operating profit at 36% | (97.1) | (73.6) | (62.7) | (54.5) |
| Tax effect of permanent differences | | | | |
| Non-allowable expenditure | (8.2) | (2.3) | (3.1) | (0.2) |
| Non-assessable revenue | 4.6 | 1.4 | 0.0 | 0.0 |
| Rebateable/non-assessable dividends | 0.1 | 13.3 | 58.1 | 50.8 |
| Equity accounted profits of associates | 14.9 | 0.0 | 0.0 | 0.0 |
| Environmental rehabilitation expenditure | 5.4 | 2.0 | 0.0 | 0.0 |
| Profits/losses on disposals of assets | 5.7 | (2.4) | 3.7 | 0.0 |
| Realised foreign currency exchange gains/losses | (2.1) | 0.6 | 0.0 | 0.0 |
| Other | 0.9 | 0.2 | 0.7 | 0.1 |
| Withholding taxes | 0.0 | (1.1) | 0.0 | 0.0 |
| Income tax overprovided in prior years | 2.6 | 5.7 | 0.0 | 0.5 |
| Income tax expense on operating profit | (73.2) | (56.2) | (3.3) | (3.3) |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|--------------|------------------|--------------|------------------|
| | 1998 | 1997 | 1998 | 1997 |
| | \$m | \$m | \$m | \$m |
| Note 7 – Dividends | | | | |
| Interim dividend paid | | | | |
| Franked amount (12 cents per share (1997 9 cents per share)) | 35.0 | 26.2 | 35.0 | 26.2 |
| Unfranked amount (7 cents per share (1997 7 cents per share)) | 20.4 | 20.4 | 20.4 | 20.4 |
| Total amount (19 cents per share (1997 16 cents per share)) | 55.4 | 46.6 | 55.4 | 46.6 |
| Final dividend proposed | | | | |
| Franked amount (17 cents per share (1997 12 cents per share)) | 54.9 | 34.9 | 54.9 | 34.9 |
| Unfranked amount (5 cents per share (1997 8 cents per share)) | 16.1 | 23.3 | 16.1 | 23.3 |
| Total amount (22 cents per share (1997 20 cents per share)) | 71.0 | 58.2 | 71.0 | 58.2 |
| | 126.4 | 104.8 | 126.4 | 104.8 |
| The franking rate applicable to all franked dividends is 36%. | | | | |
| Franking credits available for franking dividends in the subsequent financial year (after allowing for tax payable in respect of the current financial year) | | | | |
| | 25.4 | 39.8 | 25.4 | 39.8 |
| Note 8 – Receivables (current) | | | | |
| Debtors | 140.1 | 97.8 | 7.0 | 7.4 |
| Less provision for doubtful debts | 6.4 | 2.6 | 0.0 | 0.0 |
| | 133.7 | 95.2 | 7.0 | 7.4 |
| Unbilled gas and electricity revenue (Note 2(x)) | 99.0 | 0.0 | 0.0 | 0.0 |
| Loans receivable (unsecured) | 0.1 | 8.1 | 0.0 | 0.0 |
| Loans receivable (secured) | | | | |
| At directors' valuation 1998 | 2.8 | 0.0 | 0.0 | 0.0 |
| At directors' valuation 1997 | 0.0 | 5.6 | 0.0 | 0.0 |
| At directors' valuation 1993 | 0.0 | 3.5 | 0.0 | 0.0 |
| | 2.8 | 9.1 | 0.0 | 0.0 |
| At cost | 8.2 | 9.5 | 0.6 | 2.0 |
| | 11.0 | 18.6 | 0.6 | 2.0 |
| Loans to directors engaged in full-time employment within the economic entity (secured) | 0.8* | 0.8 [†] | 0.8* | 0.8 [†] |
| Amounts owing by wholly-owned controlled entities | 0.0 | 0.0 | 42.6 | 35.6 |
| Amounts owing by: | | | | |
| Partly-owned controlled entities | 0.0 | 0.0 | 0.1 | 0.1 |
| Associates | 6.9 | 27.4 | 0.2 | 0.5 |
| | 6.9 | 27.4 | 0.3 | 0.6 |
| | 251.5 | 150.1 | 51.3 | 46.4 |

* To nearest thousand dollars, \$767,000.

† To nearest thousand dollars, \$753,000.

Significant terms and conditions

Debtors are required to be settled within 30 days of the date of recognition.

Unbilled gas and electricity revenue is not normally collectable until such time as consumers' meters are read and bills rendered.

Loans receivable (secured) comprise property related loans which are secured by first or second mortgages over the relevant properties and employee share plan loans which are secured by first mortgages over shares of the Chief Entity. The property related loans are interest bearing, although one is classified as a non-accrual loan, while the share plan loans are non-interest bearing. The current portions of the loans are repayable no later than 30 June 1999.

Loans to directors comprise employee share plan loans which are secured by first mortgages over shares of the Chief Entity. The loans are non-interest bearing and the current portions of the loans are repayable no later than 30 June 1999.

Amounts owing by associates are non-interest bearing and are required to be paid within 30 days of the date of recognition.

Credit risk

The economic entity does not have a material exposure to any individual debtor or any group of debtors having similar characteristics by reason of the debtors comprising a group operating in the same industry.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|------|--------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| | \$m | \$m | \$m | \$m |
| Note 9 – Inventories (current) | | | | |
| (a) Stocks and materials | | | | |
| Raw materials and stores | 7.6 | 7.5 | 0.0 | 0.0 |
| Work in progress | 0.2 | 0.6 | 0.0 | 0.0 |
| Finished goods | 3.8 | 4.8 | 0.0 | 0.0 |
| Less provision for diminution in value | 0.1 | 0.2 | 0.0 | 0.0 |
| | 3.7 | 4.6 | 0.0 | 0.0 |
| | 11.5 | 12.7 | 0.0 | 0.0 |
| (b) Properties held for development and sale | | | | |
| Acquisition costs | 32.2 | 25.7 | 0.0 | 0.0 |
| Development costs | 2.6 | 2.3 | 0.0 | 0.0 |
| Other costs capitalised | 0.1 | 0.8 | 0.0 | 0.0 |
| | 34.9 | 28.8 | 0.0 | 0.0 |
| Less provision for diminution in value | 16.6 | 13.4 | 0.0 | 0.0 |
| | 18.3 | 15.4 | 0.0 | 0.0 |
| | 29.8 | 28.1 | 0.0 | 0.0 |
| <i>Valuations</i> | | | | |
| Properties held for development and sale were valued at \$18.5 million at 30 June 1998. The valuations were determined by directors, after receipt of independent valuations from licensed real estate valuers, and are based on the estimated realisable values of the properties in an open market. The carrying values of the properties were not restated at 30 June 1998. | | | | |
| Note 10 – Investments (current) | | | | |
| Shares | | | | |
| Unrelated corporation – quoted on stock exchange | | | | |
| At directors' valuation 1992 | 0.0 | 0.3 | 0.0 | 0.0 |
| Note 11 – Property, plant and equipment (current) | | | | |
| (a) Surplus properties held for sale – freehold | | | | |
| At directors' valuation 1998 | 2.3 | 0.0 | 0.0 | 0.0 |
| At directors' valuation 1996 | 8.4 | 2.4 | 8.4 | 0.0 |
| | 10.7 | 2.4 | 8.4 | 0.0 |
| At cost | 0.0 | 0.2 | 0.0 | 0.0 |
| | 10.7 | 2.6 | 8.4 | 0.0 |
| <i>Valuations (refer Note 2(m))</i> | | | | |
| Surplus properties held for sale were valued at \$20.4 million at 30 June 1998. The valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs. With the exception of three properties which had carrying values in excess of valuations, the carrying values of the properties were not restated at 30 June 1998. | | | | |
| (b) Plant and equipment held for sale | | | | |
| At cost | 0.0 | 1.9 | 0.0 | 0.0 |
| Less provision for depreciation | 0.0 | 1.2 | 0.0 | 0.0 |
| | 0.0 | 0.7 | 0.0 | 0.0 |
| | 10.7 | 3.3 | 8.4 | 0.0 |
| Note 12 – Other current assets | | | | |
| Research and development expenditure | | | | |
| At cost | 3.3 | 0.0 | 0.0 | 0.0 |
| Less provision for diminution in value | 2.3 | 0.0 | 0.0 | 0.0 |
| | 1.0 | 0.0 | 0.0 | 0.0 |
| Prepayments (Note 2(x)) | 6.7 | 57.2 | 1.0 | 1.1 |
| Other | 0.0 | 0.1 | 0.0 | 0.0 |
| | 7.7 | 57.3 | 1.0 | 1.1 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|------------------|----------------|------------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 13 – Receivables (non-current) | | | | |
| Debtors | 0.7 | 0.7 | 0.0 | 0.0 |
| Loans receivable (unsecured) | 0.3 | 0.3 | 0.0 | 0.0 |
| Loans receivable (secured) | | | | |
| At directors' valuation 1997 | 0.0 | 0.8 | 0.0 | 0.0 |
| At directors' valuation 1993 | 3.5 | 0.0 | 0.0 | 0.0 |
| | 3.5 | 0.8 | 0.0 | 0.0 |
| At cost | 5.9 | 4.8 | 5.9 | 4.8 |
| | 9.4 | 5.6 | 5.9 | 4.8 |
| Loans to directors engaged in full time employment within the economic entity (secured) | 5.8* | 5.8 [†] | 5.8* | 5.8 [†] |
| Amounts owing by wholly-owned controlled entities | 0.0 | 0.0 | 1,830.7 | 926.9 |
| Amounts owing by: | | | | |
| Partly-owned controlled entities | 0.0 | 0.0 | 9.1 | 7.5 |
| Associates | 32.5 | 33.1 | 0.0 | 0.0 |
| | 32.5 | 33.1 | 9.1 | 7.5 |
| | 48.7 | 45.5 | 1,851.5 | 945.0 |

* To nearest thousand dollars, \$5,815,000.

† To nearest thousand dollars, \$5,815,000.

Valuations

Certain loans receivable (secured) were revalued to recoverable amount by directors either on 30 June 1997 or 30 June 1993.

Significant terms and conditions

Loans receivable (secured) comprise a property related loan which is secured by a second mortgage over the relevant property and employee share plan loans which are secured by first mortgages over shares of the Chief Entity. The property related loan is non-interest bearing and is repayable no later than June 2004. The share plan loans are non-interest bearing and are repayable no later than November 2007.

Loans to directors comprise employee share plan loans which are secured by first mortgages over shares of the Chief Entity. The loans are non-interest bearing and are repayable no later than November 2007.

Amounts owing by associates are unsecured, interest bearing and are repayable in June 2003.

Credit risk

The economic entity does not have a material exposure to any individual debtor or any group of debtors, other than in respect of an amount of \$32.5 million owing by Elgas Limited (an associate) which is repayable in June 2003.

Note 14 – Inventories (non-current)**Properties held for development and sale**

| | | | | |
|--|------------|------|------------|-----|
| Acquisition costs | 1.5 | 8.1 | 0.0 | 0.0 |
| Development costs | 1.8 | 2.1 | 0.0 | 0.0 |
| Other costs capitalised | 0.7 | 0.0 | 0.0 | 0.0 |
| | 4.0 | 10.2 | 0.0 | 0.0 |
| Less provision for diminution in value | 1.6 | 4.9 | 0.0 | 0.0 |
| | 2.4 | 5.3 | 0.0 | 0.0 |

Valuations

Properties held for development and sale were valued at \$2.6 million at 30 June 1998. The valuations were determined by directors, after receipt of independent valuations from licensed real estate valuers, and are based on the estimated realisable values of the properties in an open market. The carrying values of the properties were not restated at 30 June 1998.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 15 – Investments (non-current) | | | | |
| (a) Shares | | | | |
| Controlled entities – not quoted on stock exchange | | | | |
| At directors' valuation 1994 | 0.0 | 0.0 | 11.5 | 11.5 |
| At directors' valuation 1986 | 0.0 | 0.0 | 137.6 | 137.7 |
| | 0.0 | 0.0 | 149.1 | 149.2 |
| At cost | 0.0 | 0.0 | 312.1 | 312.1 |
| | 0.0 | 0.0 | 461.2 | 461.3 |
| Associate – quoted on stock exchange | | | | |
| At equity accounted carrying amount (1997 at cost) | 143.7 | 9.4 | 0.0 | 0.0 |
| Associates – not quoted on stock exchange | | | | |
| At equity accounted carrying amounts (1997 at cost) | 174.7 | 279.9 | 0.0 | 0.0 |
| Unrelated entity – quoted on stock exchange | | | | |
| At directors' valuation 1986 | 0.0 | 1.3 | 0.0 | 0.0 |
| At cost | 0.0 | 1.7 | 0.0 | 4.5 |
| | 0.0 | 3.0 | 0.0 | 4.5 |
| | 318.4 | 292.3 | 461.2 | 465.8 |
| (b) Convertible capital notes | | | | |
| Associate – quoted on stock exchange | | | | |
| At cost | 0.0 | 121.2 | 0.0 | 0.0 |
| (c) Inscribed stock – quoted on stock exchange | | | | |
| At cost | 0.1 | 0.0 | 0.0 | 0.0 |
| | 318.5 | 413.5 | 461.2 | 465.8 |

Valuations (refer Note 2(e))

Shares in a controlled entity not quoted on a stock exchange were revalued to recoverable amount by directors on 30 June 1994. Shares in other controlled entities not quoted on a stock exchange were revalued to fair value by directors in 1986.

Note 16 – Property, plant and equipment (non-current)**(a) Land and buildings**

Freehold

At directors' valuation 1998

1.0 0.0 0.0 0.0

At directors' valuation 1997

7.5 8.8 1.5 1.5

8.5 8.8 **1.5** 1.5

Less provision for depreciation

0.1 0.0 0.0 0.0

8.4 8.8 **1.5** 1.5

At cost

23.3 0.0 0.0 0.0

Less provision for depreciation

0.6 0.0 0.0 0.0

22.7 0.0 **0.0** 0.0**31.1** 8.8 **1.5** 1.5

Leasehold

At directors' valuation 1998

0.6 0.0 0.0 0.0

At directors' valuation 1997

1.0 3.6 0.0 0.0

1.6 3.6 **0.0** 0.0**32.7** 12.4 **1.5** 1.5*Valuations (refer Note 2(f))*

Certain land and buildings were restated at directors' valuation either on 30 June 1998 or 30 June 1997. These valuations were made after directors had received independent valuations, carried out by licensed real estate valuers, and after allowing for site rehabilitation costs. Land and buildings were valued at \$35.2 million at 30 June 1998. These valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs. With the exception of four freehold properties which had carrying values in excess of valuations, the carrying values of the properties were not restated at 30 June 1998.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 16 – Property, plant and equipment (non-current) (continued) | | | | |
| (b) Surplus properties held for sale | | | | |
| Freehold | | | | |
| At directors' valuation 1998 | 0.5 | 0.0 | 0.0 | 0.0 |
| At directors' valuation 1997 | 3.6 | 3.6 | 0.0 | 0.0 |
| At directors' valuation 1996 | 29.7 | 38.8 | 29.7 | 37.3 |
| | 33.8 | 42.4 | 29.7 | 37.3 |
| Less provision for depreciation | 0.1 | 0.0 | 0.0 | 0.0 |
| | 33.7 | 42.4 | 29.7 | 37.3 |
| At cost | 0.1 | 0.1 | 0.1 | 0.1 |
| | 33.8 | 42.5 | 29.8 | 37.4 |
| Leasehold | | | | |
| At directors' valuation 1997 | 0.7 | 0.7 | 0.0 | 0.0 |
| | 34.5 | 43.2 | 29.8 | 37.4 |

Valuations (refer Note 2(f) and 2(m))

Surplus properties held for sale were restated at directors' valuation on 30 June 1998, 30 June 1997 or 30 June 1996. These valuations were made after directors had received independent valuations, carried out by licensed real estate valuers, and after allowing for site rehabilitation costs. The properties were valued at \$69.0 million at 30 June 1998. These valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs (\$50.0 million of rehabilitation costs in respect of a former gasworks site are being offset by a transfer from the former gas customers' reserve account – refer Note 31). With the exception of two freehold properties which had carrying values in excess of valuations, the carrying values of the properties were not restated at 30 June 1998. No capital gains tax would have been payable if the properties had been sold at 30 June 1998 for amounts equivalent to either their carrying values or the directors' valuations at that date (1997 \$nil).

(c) Plant and equipment

Purchased assets

| | | | | |
|-----------------------------------|----------------|-------|------------|-----|
| At directors' valuation 1998 | 4.8 | 0.0 | 0.0 | 0.0 |
| At directors' valuation 1992 | 48.1 | 48.1 | 0.0 | 0.0 |
| At directors' valuation 1986 | 123.3 | 123.5 | 0.0 | 0.0 |
| | 176.2 | 171.6 | 0.0 | 0.0 |
| Less provision for depreciation | 55.9 | 49.9 | 0.0 | 0.0 |
| | 120.3 | 121.7 | 0.0 | 0.0 |
| At cost | 1,592.9 | 963.6 | 6.6 | 6.5 |
| Less: provision for depreciation | 349.9 | 264.0 | 3.0 | 2.7 |
| provision for diminution in value | 5.5 | 6.6 | 0.0 | 0.0 |
| | 1,237.5 | 693.0 | 3.6 | 3.8 |
| | 1,357.8 | 814.7 | 3.6 | 3.8 |
| Capitalised leased assets | | | | |
| At assessed value | 89.5 | 89.5 | 0.0 | 0.0 |
| Less provision for depreciation | 22.7 | 20.7 | 0.0 | 0.0 |
| | 66.8 | 68.8 | 0.0 | 0.0 |
| | 1,424.6 | 883.5 | 3.6 | 3.8 |

Valuations (refer Note 2(f))

A gas distribution system and a lateral pipeline were revalued to recoverable amount by directors on 31 December 1997.

The Roma to Brisbane gas pipeline was revalued to recoverable amount by directors on 30 June 1992.

Certain items of plant and equipment were revalued to fair value by directors pursuant to the restructuring of the NSW gas industry in 1986.

| | | | |
|----------------|-------|-------------|------|
| 1,491.8 | 939.1 | 34.9 | 42.7 |
|----------------|-------|-------------|------|

Depreciation methods applicable to each class of assets

Land and surplus properties held for sale are not depreciated.

Two gas pipelines are depreciated on a revenue stream basis.

Buildings and other plant and equipment are depreciated on a straight-line basis.

Depreciation rates applicable to each class of assets

Buildings component of land and buildings: 2% pa.

Plant and equipment

Purchased assets – other than two gas pipelines: 2% – 33 1/3% pa.

– two gas pipelines: 3.3 cents and 10.6 cents respectively of each \$1 of revenue.

Capitalised leased assets: 2% – 20% pa.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 17 – Intangibles | | | | |
| Goodwill | | | | |
| At cost | 84.7 | 7.9 | 0.0 | 0.0 |
| Less provision for amortisation | 6.1 | 3.7 | 0.0 | 0.0 |
| | 78.6 | 4.2 | 0.0 | 0.0 |
| Licences | | | | |
| At cost | 527.0 | 0.0 | 0.0 | 0.0 |
| | 605.6 | 4.2 | 0.0 | 0.0 |
| Note 18 – Deferred expenditure | | | | |
| Gas industry expenses – at cost | | | | |
| Customer connection | 134.8 | 119.3 | 0.0 | 0.0 |
| Natural gas conversion | 71.1 | 71.1 | 0.0 | 0.0 |
| Other | 10.2 | 9.4 | 0.0 | 0.0 |
| | 216.1 | 199.8 | 0.0 | 0.0 |
| Less provision for amortisation | 89.6 | 76.2 | 0.0 | 0.0 |
| | 126.5 | 123.6 | 0.0 | 0.0 |
| Research and development – at cost | 0.0 | 3.3 | 0.0 | 0.0 |
| Other expenses – at cost | | | | |
| Borrowing | 9.4 | 1.8 | 9.4 | 1.8 |
| Computer software | 45.2 | 21.4 | 9.4 | 0.1 |
| Other | 0.9 | 0.2 | 0.1 | 0.0 |
| | 55.5 | 23.4 | 18.9 | 1.9 |
| Less provision for amortisation | 19.0 | 15.6 | 1.0 | 0.7 |
| | 36.5 | 7.8 | 17.9 | 1.2 |
| | 163.0 | 134.7 | 17.9 | 1.2 |
| Note 19 – Other non-current assets | | | | |
| Right to receive net pipeline tariffs | 15.7 | 15.7 | 0.0 | 0.0 |
| Less provision for amortisation | 6.2 | 5.5 | 0.0 | 0.0 |
| | 9.5 | 10.2 | 0.0 | 0.0 |
| Future income tax benefits* | 31.0 | 19.3 | 4.0 | 2.5 |
| Sundry gas and electricity assets | 6.2 | 3.2 | 0.0 | 0.0 |
| | 46.7 | 32.7 | 4.0 | 2.5 |
| * Includes future income tax benefits attributable to tax losses carried forward as an asset | 0.7 | 0.5 | 0.0 | 0.0 |
| Future income tax benefits, attributable to tax losses, not brought to account, which will only be realised if the conditions for deductibility set out in Note 2(m) apply | 53.9 | 55.5 | 6.3 | 6.4 |
| Note 20 – Accounts payable (current) | | | | |
| Creditors | 146.9 | 105.2 | 42.3 | 33.4 |
| Consumer deposits and interest | 2.1 | 0.0 | 0.0 | 0.0 |
| Amounts owing to: | | | | |
| Wholly-owned controlled entities | 0.0 | 0.0 | 3.9 | 9.3 |
| Associates | 8.3 | 8.1 | 0.0 | 0.0 |
| | 157.3 | 113.3 | 46.2 | 42.7 |

Significant terms and conditions

Creditors and amounts owing to associates are generally settled within 30 days of recognition and are unsecured.

Consumer deposits and interest relate to security deposits lodged with the economic entity by electricity consumers. These deposits and accrued interest are normally held by the economic entity for periods of either one or two years. The aggregate amount expected to be paid to consumers within twelve months of the reporting date is shown as a current liability, with the balance shown as a non-current liability (refer to Note 24).

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---------------------------------------|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 21 – Borrowings (current) | | | | |
| Secured | | | | |
| Bank borrowings | 0.4 | 0.3 | 0.0 | 0.0 |
| Debentures | 0.6 | 9.6 | 0.9 | 11.2 |
| Unsecured | | | | |
| Bank overdrafts | 3.7 | 1.0 | 1.4 | 0.2 |
| Promissory Note | 0.0 | 10.0 | 0.0 | 10.0 |
| Other borrowings | 6.3 | 0.0 | 6.3 | 0.0 |
| Lease liabilities (Note 33) | 4.7 | 13.4 | 0.0 | 0.0 |
| | 15.7 | 34.3 | 8.6 | 21.4 |

Significant terms and conditions

Debentures are secured by floating charges over the assets of certain entities in the economic entity and are payable on maturity in April 1999.

Bank overdrafts may be utilised at any time and are repayable on demand.

Other borrowings comprise money market borrowings repayable at call.

Lease liabilities are payable in accordance with the relevant agreements; the rights to the leased assets revert to the lessors in the event of default.

Note 22 – Provisions (current)

| | | | | |
|--|--------------|--------------|-------------|-------------|
| Dividends | 71.0 | 58.2 | 71.0 | 58.2 |
| Taxation | 36.8 | 25.5 | 0.5 | 0.0 |
| Employee entitlements | 19.3 | 13.0 | 3.1 | 2.6 |
| Pipeline contract restructuring | 1.3 | 1.3 | 0.0 | 0.0 |
| Property rental guarantees | 1.4 | 2.5 | 0.0 | 0.0 |
| Environmental rehabilitation (Note 2(p)) | 17.8 | 17.3 | 0.0 | 0.0 |
| Promotional initiatives (Note 2(p)) | 2.4 | 3.5 | 0.0 | 0.0 |
| Other | 4.3 | 0.5 | 0.0 | 0.2 |
| | 154.3 | 121.8 | 74.6 | 61.0 |

Note 23 – Unearned revenue (current)

Balance of amount transferred from former gas customers' reserve account to offset reductions in network transportation charges (Note 2(p))

| | | | | |
|------------------------|-------------|-------------|------------|------------|
| | 18.3 | 11.0 | 0.0 | 0.0 |
| Other unearned revenue | 8.5 | 8.0 | 4.1 | 0.0 |
| | 26.8 | 19.0 | 4.1 | 0.0 |

Note 24 – Accounts payable (non-current)

| | | | | |
|--------------------------------|-------------|-------------|------------|------------|
| Creditors | 0.0 | 0.1 | 0.0 | 0.0 |
| Consumer deposits and interest | 22.3 | 21.7 | 0.0 | 0.0 |
| | 22.3 | 21.8 | 0.0 | 0.0 |

Significant terms and conditions

Consumer deposits and interest relate to security deposits lodged with the economic entity by gas and electricity consumers. Electricity deposits and accrued interest are normally held by the economic entity for periods of either one or two years. Gas deposits and accrued interest are held until such time as the consumers cease to be customers of the economic entity and all outstanding amounts are either paid or deducted from the security deposits.

Note 25 – Borrowings (non-current)

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Secured | | | | |
| Bank borrowings | 1.9 | 2.4 | 0.0 | 0.0 |
| Debentures | 0.0 | 0.6 | 0.0 | 0.9 |
| Subject to negative pledge | | | | |
| Bank borrowings | 100.0 | 175.0 | 100.0 | 175.0 |
| Senior notes and debentures | 768.6 | 134.1 | 768.6 | 134.1 |
| Other unsecured | | | | |
| Other borrowings | 0.1 | 0.0 | 0.0 | 0.0 |
| Lease liabilities (Note 33) | 0.5 | 5.0 | 0.0 | 0.0 |
| Amounts owing to wholly-owned controlled entities | 0.0 | 0.0 | 36.8 | 107.0 |
| | 871.1 | 317.1 | 905.4 | 417.0 |

Significant terms and conditions

Bank borrowings (secured) are secured by a floating charge over the assets of a controlled entity and are repayable partly in September 1999, partly in January 2001 and partly in June 2006.

Bank borrowings (subject to negative pledge) are repayable on the expiration of the facilities or on default by the economic entity. The expiry dates of the facilities are currently May and June 2001.

Senior notes and debentures are repayable on maturity, partly in November 2003, partly in April 2008 and partly in April 2018. The notes and debentures are denominated in US dollars and the economic entity's foreign exchange exposure has been fully hedged.

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|--------------|--------------|--------------|--------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 26 – Provisions (non-current) | | | | |
| Directors' retiring allowances | 1.0 | 0.8 | 0.9 | 0.6 |
| Employee entitlements | 14.4 | 9.6 | 4.3 | 4.2 |
| Deferred income tax | 227.4 | 163.8 | 10.6 | 7.8 |
| Pipeline contract restructuring | 23.1 | 24.4 | 0.0 | 0.0 |
| Property rental guarantees | 2.0 | 0.0 | 0.0 | 0.0 |
| Environmental rehabilitation (Note 2(p)) | 16.1 | 27.7 | 0.2 | 0.2 |
| Promotional initiatives (Note 2(p)) | 7.1 | 6.0 | 0.0 | 0.0 |
| Other | 0.2 | 0.0 | 0.0 | 0.0 |
| | 291.3 | 232.3 | 16.0 | 12.8 |
| Note 27 – Unearned revenue (non-current) | | | | |
| Balance of amount transferred from former gas customers' reserve account to offset reductions in network transportation charges (Note 2(p)) | 45.3 | 64.0 | 0.0 | 0.0 |
| Other unearned revenue | 5.4 | 1.2 | 0.0 | 0.0 |
| | 50.7 | 65.2 | 0.0 | 0.0 |
| Note 28 – Issued capital | | | | |
| 322,652,034 (1997 290,986,410) ordinary shares of \$1.00 each fully paid | 322.7 | 291.0 | 322.7 | 291.0 |
| During the year the Chief Entity issued: | | | | |
| (i) 29,000,000 shares at a premium of \$11.21 per share pursuant to a private placement; | | | | |
| (ii) 2,100,121 shares at a premium of \$10.52 per share pursuant to The Australian Gas Light Company Dividend Reinvestment Plan; | | | | |
| (iii) 330,500 shares at a premium of \$8.00 per share pursuant to the AGL Share Loan Plan; | | | | |
| (iv) 40,000 shares at a premium of \$8.47 per share pursuant to the AGL Share Loan Plan; and | | | | |
| (v) 195,003 shares pursuant to the AGL Share Reward Plan. | | | | |
| Note 29 – Reserves | | | | |
| Share premium | 675.7 | 330.2 | 675.7 | 330.2 |
| Asset revaluation | 32.5 | 0.0 | 1.7 | 1.7 |
| Capital redemption | 0.4 | 0.4 | 0.0 | 0.0 |
| Foreign currency translation | (3.7) | (0.1) | 0.0 | 0.0 |
| Other | 1.0 | 0.0 | 0.0 | 0.0 |
| | 705.9 | 330.5 | 677.4 | 331.9 |
| <i>Movements in reserves</i> | | | | |
| <i>Share premium</i> | | | | |
| Balance at beginning of year | 330.2 | 327.6 | 330.2 | 327.6 |
| Premium arising on the issue of ordinary shares | 350.2 | 2.6 | 350.2 | 2.6 |
| Share issue expenses | (4.7) | 0.0 | (4.7) | 0.0 |
| Balance at end of year | 675.7 | 330.2 | 675.7 | 330.2 |
| <i>Asset revaluation</i> | | | | |
| Balance at beginning of year | 0.0 | 0.0 | 1.7 | 1.7 |
| Adjustment resulting from a change in accounting policy (Note 2(x)) | 33.3 | 0.0 | 0.0 | 0.0 |
| Share of movements in associates' reserves | (0.8) | 0.0 | 0.0 | 0.0 |
| Balance at end of year | 32.5 | 0.0 | 1.7 | 1.7 |
| <i>Capital redemption</i> | | | | |
| Balance at beginning of year | 0.4 | 0.4 | 0.0 | 0.0 |
| Balance at end of year | 0.4 | 0.4 | 0.0 | 0.0 |
| <i>Foreign currency translation</i> | | | | |
| Balance at beginning of year | (0.1) | 0.0 | 0.0 | 0.0 |
| Net exchange gain(loss) arising on translation of foreign currency net assets | (8.3) | 6.0 | 0.0 | 0.0 |
| Net gain(loss) arising on hedging of foreign currency receivable | 4.7 | (6.1) | 0.0 | 0.0 |
| Balance at end of year | (3.7) | (0.1) | 0.0 | 0.0 |
| <i>Other</i> | | | | |
| Balance at beginning of year | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjustment resulting from a change in accounting policy (Note 2(x)) | 1.0 | 0.0 | 0.0 | 0.0 |
| Balance at end of year | 1.0 | 0.0 | 0.0 | 0.0 |
| Note 30 – Outside equity interests in controlled entities | | | | |
| Issued capital | 0.5 | 0.5 | 0.0 | 0.0 |
| Accumulated losses | (0.3) | (0.2) | 0.0 | 0.0 |
| | 0.2 | 0.3 | 0.0 | 0.0 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 31 – Gas customers' reserve account (Note 2(p)) | | | | |
| Balance at beginning of year | 0.0 | 134.5 | 0.0 | 0.0 |
| Transfers to: provision for environmental rehabilitation | 0.0 | (50.0) | 0.0 | 0.0 |
| provision for promotional initiatives | 0.0 | (9.5) | 0.0 | 0.0 |
| unearned revenue | 0.0 | (75.0) | 0.0 | 0.0 |
| Balance at end of year | 0.0 | 0.0 | 0.0 | 0.0 |
| Note 32 – Capital commitments | | | | |
| Expenditure contracted for at balance date not reflected in the financial statements | | | | |
| Capital expenditure in respect of: | | | | |
| Information technology projects | 9.5 | 0.0 | 0.7 | 0.0 |
| Carpentaria gas pipeline | 0.0 | 49.4 | 0.0 | 0.0 |
| Other property, plant and equipment | 15.9 | 18.6 | 0.0 | 0.0 |
| Payable not later than one year | 25.4 | 68.0 | 0.7 | 0.0 |
| Note 33 – Lease commitments | | | | |
| Finance leases | | | | |
| Estimated lease commitments | | | | |
| Due within 1 year | 4.9 | 14.8 | 0.0 | 0.0 |
| Due between 1 and 2 years | 0.2 | 4.8 | 0.0 | 0.0 |
| Due between 2 and 5 years | 0.4 | 0.4 | 0.0 | 0.0 |
| | 5.5 | 20.0 | 0.0 | 0.0 |
| Less future finance charges | 0.3 | 1.6 | 0.0 | 0.0 |
| Present value of lease payments | 5.2 | 18.4 | 0.0 | 0.0 |
| Less due within 1 year (Note 21) | 4.7 | 13.4 | 0.0 | 0.0 |
| Non-current liability (Note 25) | 0.5 | 5.0 | 0.0 | 0.0 |
| Non-cancellable operating leases | | | | |
| Aggregate amounts contracted for at balance date not reflected in the financial statements | | | | |
| <i>Amadeus Gas Trust</i> | | | | |
| Due within 1 year | 23.3 | 23.3 | 0.0 | 0.0 |
| Due between 1 and 2 years | 16.8 | 23.3 | 0.0 | 0.0 |
| Due between 2 and 5 years | 50.5 | 54.6 | 0.0 | 0.0 |
| Due after 5 years | 192.4 | 221.8 | 0.0 | 0.0 |
| | 283.0 | 323.0 | 0.0 | 0.0 |
| The Northern Territory Government has guaranteed a minimum income in respect of the trust sufficient to meet the above operating lease commitments. | | | | |
| <i>Goldline rehabilitation programme</i> | | | | |
| Due within 1 year | 31.1 | 26.8 | 0.0 | 0.0 |
| Due between 1 and 2 years | 33.1 | 30.0 | 0.0 | 0.0 |
| Due between 2 and 5 years | 104.2 | 108.0 | 0.0 | 0.0 |
| Due after 5 years | 25.2 | 70.3 | 0.0 | 0.0 |
| | 193.6 | 235.1 | 0.0 | 0.0 |
| <i>Other</i> | | | | |
| Due within 1 year | 10.8 | 14.3 | 5.4 | 5.2 |
| Due between 1 and 2 years | 6.3 | 12.6 | 2.0 | 5.2 |
| Due between 2 and 5 years | 8.4 | 9.2 | 0.0 | 2.0 |
| Due after 5 years | 10.8 | 6.8 | 0.0 | 0.0 |
| | 36.3 | 42.9 | 7.4 | 12.4 |
| | 512.9 | 601.0 | 7.4 | 12.4 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 34 – Contingent liabilities | | | | |
| Bank guarantees in respect of the economic entity | 35.5 | 3.7 | 0.4 | 0.1 |
| Guarantees in respect of associates | 1.8 | 1.0 | 1.8 | 1.0 |
| | 37.3 | 4.7 | 2.2 | 1.1 |

Other contingent liabilities

- (a) Claims and possible claims, indeterminable in amount, have arisen in the course of business against entities in the economic entity. Based on legal advice obtained, the directors of the Chief Entity believe that any resultant liability will not materially affect the financial position of the economic entity.
- (b) The Chief Entity 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 fall due.

| | \$000 | \$000 | \$000 | \$000 |
|---|--------------|-------|--------------|-------|
| Note 35 – Remuneration of directors and executive officers | | | | |
| Directors' remuneration | | | | |
| Aggregate income paid or payable, or otherwise made available, to directors of: | | | | |
| The Chief Entity | | | | |
| Income other than superannuation and retirement benefits | 1,630 | 1,425 | 1,630 | 1,425 |
| Superannuation and retirement benefits | 203 | 184 | 203 | 184 |
| Controlled entities * | | | | |
| Income other than superannuation and retirement benefits | 2,617 | 2,320 | 0 | 0 |
| Superannuation and retirement benefits | 301 | 282 | 0 | 0 |
| | 4,751 | 4,211 | 1,833 | 1,609 |

* Excluding executive officers of the Chief Entity who are only directors of wholly-owned controlled entities.

Number of directors of the Chief Entity whose income was within the following bands

| \$000 | 1998 | 1997 |
|---------------|------|------|
| 20 – 30 | 0 | 1 |
| 30 – 40 | 0 | 2 |
| 40 – 50 | 0 | 1 |
| 50 – 60 | 2 | 3 |
| 60 – 70 | 3 | 0 |
| 70 – 80 | 0 | 1 |
| 90 – 100 | 1 | 0 |
| 100 – 110 | 0 | 1 |
| 130 – 140 | 1 | 0 |
| 1,110 – 1,120 | 0 | 1 |
| 1,290 – 1,300 | 1 | 0 |

Executive officers' remuneration

Aggregate remuneration of Australian based executive officers whose remuneration is \$100,000 or more

| | | | | |
|---|---------------|--------|--------------|-------|
| Income other than superannuation, retirement and termination benefits | 13,146 | 10,679 | 5,706 | 4,594 |
| Superannuation, retirement and termination benefits | 3,791 | 1,270 | 2,488 | 772 |
| | 16,937 | 11,949 | 8,194 | 5,366 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|-------|--------------|-------|
| | 1998 | 1997 | 1998 | 1997 |
| | \$000 | \$000 | \$000 | \$000 |

Note 35 – Remuneration of directors and executive officers (continued)

Number of executive officers whose total remuneration, including superannuation, retirement and termination benefits, was within the following bands

| \$000 | Consolidated | | Chief Entity | |
|----------------|--------------|------|--------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| 100 – 110 | 0 | 2 | 0 | 0 |
| 110 – 120 | 1 | 2 | 0 | 0 |
| 120 – 130 | 1 | 3 | 0 | 0 |
| 130 – 140 | 0 | 2 | 0 | 0 |
| 140 – 150 | 1 | 5 | 0 | 1 |
| 150 – 160 | 3 | 7 | 1 | 1 |
| 160 – 170 | 7 | 9 | 3 | 2 |
| 170 – 180 | 4 | 6 | 1 | 0 |
| 180 – 190 | 9 | 2 | 2 | 2 |
| 190 – 200 | 9 | 1 | 2 | 2 |
| 200 – 210 | 4 | 1 | 1 | 1 |
| 210 – 220 | 2 | 1 | 1 | 1 |
| 220 – 230 | 1 | 0 | 0 | 0 |
| 240 – 250 | 0 | 2 | 0 | 0 |
| 250 – 260 | 3 | 1 | 1 | 0 |
| 260 – 270 | 0 | 1 | 0 | 1 |
| 290 – 300 | 1 | 1 | 0 | 0 |
| 300 – 310 | 1 | 3 | 0 | 3 |
| 310 – 320 | 0 | 2 | 0 | 0 |
| 320 – 330 | 2 | 0 | 1 | 0 |
| 330 – 340 | 1 | 0 | 1 | 0 |
| 340 – 350 | 2 | 0 | 1 | 0 |
| 350 – 360 | 2 | 0 | 2 | 0 |
| 360 – 370 | 2 | 0 | 0 | 0 |
| 460 – 470 | 0 | 1 | 0 | 1 |
| 490 – 500 | 0 | 1 | 0 | 1 |
| 550 – 560 | 1 | 0 | 1 | 0 |
| 560 – 570 | 0 | 1 | 0 | 1 |
| 640 – 650 | 1 | 0 | 0 | 0 |
| 670 – 680 | 1 | 0 | 1 | 0 |
| 1,110 – 1,120 | 0 | 1 | 0 | 1 |
| 1,290 – 1,300 | 1 | 0 | 1 | 0 |
| 1,710 – 1,720* | 1 | 0 | 1 | 0 |
| | 61 | 55 | 21 | 18 |

* Principally relates to a termination benefit.

Executive officers' remuneration includes salaries, incentive payments, provision of motor vehicles, superannuation, retirement and termination benefits, other benefits and fringe benefits tax.

For the purpose of disclosure, executive officers are defined as group managers, general managers and senior managers of the economic entity based in Australia. This represents a change in disclosure as previously all employees earning more than \$100,000 were included. The comparative figures have been restated so as to be consistent with the revised disclosure.

Note 36 – Remuneration of auditors

Remuneration of the auditor of the Chief Entity for:

| | | | | |
|---|-----|-----|-----|----|
| Auditing and reviewing the financial statements | 375 | 345 | 66 | 65 |
| Other services | 335 | 130 | 300 | 8 |

Remuneration of the auditor of a controlled entity for auditing and

| | | | | |
|------------------------------------|----|---|---|---|
| reviewing the financial statements | 90 | 0 | 0 | 0 |
|------------------------------------|----|---|---|---|

Notes to the Financial Statements

for the year ended 30 June 1998

Note 37 – Controlled entities

| Entity | Country of incorporation or formation | Chief Entity's beneficial interest in shares / units | |
|---|---------------------------------------|--|--------|
| | | 1998 % | 1997 % |
| Agex Pty Ltd | Australia | 100 | 100 |
| AGL Chile Operations SA (a) (b) | Chile | 100 | 0 |
| AGL Consultancy Pty Ltd | Australia | 100 | 100 |
| AGL Electricity (formerly Solaris Power) (a) (c) | Australia | 100 | 50 |
| AGL Electricity (Vic) Pty Limited | Australia | 100 | 100 |
| AGL Energy Sales & Marketing Limited (formerly AGL Retail Energy (Contract Sales) Limited) | Australia | 100 | 100 |
| AGL Engineering Services Pty Limited (b) | Australia | 100 | 0 |
| AGL Finance Pty Limited | Australia | 100 | 100 |
| AGL Foundation Nominees Pty Limited | Australia | 100 | 100 |
| AGL Gas Company (ACT) Limited | Australia | 100 | 100 |
| AGL Gas Networks Limited | Australia | 100 | 100 |
| AGL Gas Trading Pty Limited | Australia | 100 | 100 |
| AGL International (a) (b) | Cayman Islands | 100 | 0 |
| AGL Investments Pty Limited | Australia | 100 | 100 |
| AGL NZ Employment Services Limited | New Zealand | 100 | 100 |
| AGL NZ Investments Pty Limited | Australia | 100 | 100 |
| AGL NZ Limited | New Zealand | 100 | 100 |
| AGL NZ Management Limited | New Zealand | 100 | 100 |
| AGL Petroleum Pipelines Holdings Pty Limited | Australia | 100 | 100 |
| AGL Petroleum Pipelines Limited | Australia | 100 | 100 |
| AGL Pipelines Investments (NSW) Pty Limited (formerly AGL Pipelines (NSW) Pty Limited) | Australia | 100 | 100 |
| AGL Pipelines Limited | Australia | 100 | 100 |
| AGL Pipelines Management Pty Ltd | Australia | 100 | 100 |
| AGL Pipelines (NSW) Pty Limited (formerly AGL Southern Cross (No. 35) Pty Limited) (b) | Australia | 100 | 0 |
| AGL Pipelines (NT) Pty Limited | Australia | 100 | 100 |
| AGL Pipelines (Qld) Pty Limited (b) | Australia | 100 | 0 |
| AGL Pipelines (WA) Pty Limited | Australia | 100 | 100 |
| AGL Power Generation Pty Limited | Australia | 100 | 100 |
| AGL Retail Energy Limited | Australia | 100 | 100 |
| AGL Southern Cross (No. 10) Pty Limited (b) | Australia | 100 | 0 |
| AGL Wholesale Energy Limited | Australia | 100 | 100 |
| AGL Wholesale Gas Limited | Australia | 100 | 100 |
| Amadeus Gas Trust | Australia | 96 | 96 |
| Asandra Limited | Hong Kong | 100 | 100 |
| Central Park Ventures Pty Limited | Australia | 100 | 100 |
| Crofton Investments Pty Ltd | Australia | 100 | 100 |
| Dual Fuel Systems Pty Limited | Australia | 100 | 100 |
| EAP Operations Pty Limited | Australia | 51 | 51 |
| Gaztec Sp. z O.O. | Poland | 52 | 52 |
| Goodacre Development Pty Limited | Australia | 100 | 100 |
| HC Extractions Pty Limited | Australia | 100 | 100 |
| Industrial Pipe Systems Pty Limited | Australia | 100 | 100 |
| International Oil Proprietary Ltd | Australia | 100 | 100 |
| Inversiones AGL Chile Limitada (a) (b) | Chile | 100 | 0 |

Notes to the Financial Statements

for the year ended 30 June 1998

Note 37 – Controlled entities (continued)

| Entity | Country of incorporation or formation | Chief Entity's beneficial interest in shares/units | |
|--|---------------------------------------|--|--------|
| | | 1998 % | 1997 % |
| Navham Pty Limited | Australia | 100 | 100 |
| NT Gas Distribution Pty Limited | Australia | 96 | 96 |
| NT Gas Easements Pty Limited | Australia | 100 | 100 |
| NT Gas Pty Limited | Australia | 96 | 96 |
| Porta-Gas Pty Limited | Australia | 100 | 100 |
| Retirement Management Services Pty Limited | Australia | 100 | 100 |
| Roverton Pty Ltd | Australia | 100 | 100 |
| Sangas Development Limited | Australia | 100 | 100 |
| Sopic Pty Ltd | Australia | 100 | 100 |
| Terrace Gardens Properties Pty Limited | Australia | 100 | 100 |
| The North Shore Gas Company Limited | Australia | 100 | 100 |
| The North Shore Gas Property Trust (a) | Australia | 100 | 100 |
| Thorstone Pty Limited | Australia | 100 | 100 |
| Victorian Energy Pty Limited | Australia | 100 | 100 |
| Weldon Bridge Investments Pty Ltd | Australia | 100 | 100 |

(a) Not audited by Deloitte Touche Tohmatsu.

(b) Incorporated during the financial year.

(c) Acquired during the financial year.

East Australian Pipeline Limited (EAPL) (incorporated in Australia)

EAPL, an entity in which AGL Pipelines Investments (NSW) Pty Limited has a 51% ownership interest and the right to appoint a simple majority of directors, is not considered to be a controlled entity of the Chief Entity. Resolutions of the Board of EAPL in relation to significant financial and operating matters require a 75% majority in order to be carried. Accordingly, it is considered that neither the Chief Entity nor the minority shareholder (having a 49% ownership interest) is in a position of dominance over EAPL and therefore the relationship is one of joint control determined by explicit agreement, rather than control by either shareholder. EAPL has accordingly been excluded from the consolidation of the economic entity as the consolidation criterion, namely control by the Chief Entity, is not satisfied.

EAPL is considered to be an associate of the Chief Entity and has been equity accounted (refer Note 40).

Note 38 – Interests in unincorporated joint ventures

| Joint venture | Interest of economic entity | | Principal activity |
|---------------------------|-----------------------------|------|------------------------|
| | 1998 | 1997 | |
| | % | % | |
| Roma to Brisbane pipeline | 85 | 85 | Gas pipeline operation |
| Carpentaria gas pipeline | 70 | 70 | Gas pipeline operation |

The economic entity's share of the assets and liabilities of the joint ventures is included in the balance sheet under the following classifications

| | Consolidated | |
|--|--------------|----------|
| | 1998 \$m | 1997 \$m |
| Current assets | | |
| Cash | 0.0 | 0.5 |
| Receivables | 1.5 | 1.3 |
| Other | 0.8 | 0.1 |
| Total current assets | 2.3 | 1.9 |
| Non-current assets | | |
| Property, plant and equipment | 158.4 | 84.9 |
| Total non-current assets | 158.4 | 84.9 |
| Total assets | 160.7 | 86.8 |
| Current liabilities | | |
| Accounts payable | 2.4 | 9.3 |
| Total current liabilities | 2.4 | 9.3 |
| Total liabilities | 2.4 | 9.3 |
| Net investment in joint ventures | 158.3 | 77.5 |
| Economic entity's share of capital expenditure commitments of joint ventures (included in Note 32) | 0.1 | 53.6 |

Notes to the Financial Statements

for the year ended 30 June 1998

Note 39 – Employee entitlements**Superannuation plans***Details of defined benefit plans sponsored by the Chief Entity and other entities in the economic entity*

| | Date of last actuarial assessment | Plan assets(a) \$m | Accrued benefits \$m | Net surplus \$m | Vested benefits \$m |
|---|---|--------------------------|----------------------------|-----------------------|---------------------------|
| The AGL Gas Companies' Employees' Superannuation Fund (b) | 30 June 1997 | 94.0 | 83.5 | 10.5 | 80.6 |
| AGL Superannuation and Benefits Fund (c) | 30 June 1996 | 40.9 | 31.5 | 9.4 | 28.0 |
| AGL Executive Superannuation Fund | 30 June 1997 | 3.1 | 1.8 | 1.3 | 1.7 |
| Victorian Energy Industry Superannuation Fund | 31 December 1997 | 34.9 | 29.6 | 5.3 | 28.9 |
| | | 172.9 | 146.4 | 26.5 | 139.2 |

(a) At net market value.

(b) On 1 July 1998 the plan was merged with the AGL Superannuation and Benefits Fund.

(c) At 30 June 1997 the plan assets were \$44.3 million and the vested benefits were \$32.5 million.

Contributions by employer entities in the economic entity to defined benefit superannuation plans during the year amounted to \$10.6 million (1997 \$8.7 million).

Share ownership plans

The Chief Entity currently operates three employee share ownership plans, the AGL Share Reward Plan, the AGL Share Loan Plan and the AGL Share Purchase Plan.

(a) All permanent employees of entities in the economic entity, subject to certain eligibility requirements, are entitled to participate in the AGL Share Reward Plan. The plan was approved by Proprietors on 21 October 1997 and the first issue of shares was made to employees in November 1997. A further issue of shares was made to eligible employees of a newly acquired controlled entity in April 1998. There is no current invitation for employees to acquire additional shares. The issues of shares pursuant to the plan have been made in the form of a gift of shares in the Chief Entity, with a market value of up to \$1,000, to each eligible employee. In future years, the decision to make offers to eligible employees and the value of those offers will depend on the performance of the economic entity measured against a number of indicators.

A total of 195,003 ordinary shares of the Chief Entity has been issued to 1,947 employees pursuant to the plan between the date of its inception and 30 June 1998. The total market value of these shares at the issue dates was \$1,931,000 and the total amount receivable from employees for the shares was \$nil.

The nominal value of the shares issued pursuant to the plan (\$195,000) has been recognised as an expense in the financial year.

(b) All permanent employees of entities of the economic entity nominated from time to time by the directors of the Chief Entity are offered participation in the AGL Share Loan Plan. The plan was approved by Proprietors on 21 October 1997 and one issue of shares has been made to employees, in November 1997. At 30 June 1998 there were 57 participants in the plan involving a total of 370,500 ordinary shares of the Chief Entity. There is no current invitation for employees to acquire additional shares. The issue of fully paid shares pursuant to the plan has been made on the basis of –

- an optional 5% discount on current market value;
- the purchase price financed by way of an interest free limited recourse loan provided by the Chief Entity, repayable out of the proceeds from dividends on the plan shares with any outstanding balance repayable at the expiration of ten years from the issue date; and
- a restriction on dealing in the shares for a period of three years from the issue date, with the shares being held by the trustee of the plan until the shares are free from restriction or the loan is fully repaid, whichever last occurs.

A total of 370,500 ordinary shares of the Chief Entity has been acquired by employees pursuant to the plan between the date of its inception and 30 June 1998. The total market value of these shares at issue date was \$3,510,000 and the total amount receivable from employees for these shares was \$3,354,000. Outstanding loans to participants at 30 June 1998 amounted to \$3,283,000 (1997 \$nil).

(c) All permanent employees of entities in the economic entity nominated from time to time by the directors of the Chief Entity are offered participation in the AGL Share Purchase Plan. Directors of the Chief Entity may also participate in the plan. The plan, which was approved by Proprietors on 21 October 1997, entitles directors and specified employees to acquire fully paid ordinary shares in the Chief Entity out of their remuneration entitlements, subject to certain limitations as to the maximum level of remuneration entitlements that may be applied to the purchase of the shares. Other conditions relating to the acquisition of shares pursuant to the plan are –

- shares are acquired at market value on the date of acquisition;
- shares may only be acquired at specified times during a year; and
- there is a restriction on dealing in the shares for a period of up to ten years from the issue date, with the share certificates or holding statements being held by the trustee of the plan until the shares are free from restriction.

At 30 June 1998, there were 12 participants in the plan involving a total of 18,667 ordinary shares of the Chief Entity. There is an ongoing invitation for directors and employees to acquire additional shares. A total of 18,667 ordinary shares of the Chief Entity have been acquired by directors and employees pursuant to the plan between the date of its inception and 30 June 1998. The total market value of these shares at issue date was \$222,000 and the total amount received from directors and employees for these shares was \$222,000.

All remuneration entitlements applied to, or expected to be applied to, the purchase of shares pursuant to the plan are recognised as an expense in the relevant financial year.

Notes to the Financial Statements

for the year ended 30 June 1998

Note 39 – Employee entitlements (continued)

Prior to the current financial year, the Chief Entity operated two employee share ownership plans, The AGL Employee Share Plan and The Australian Gas Light Company Management Share Plan.

All employees of entities in the economic entity, subject to certain qualifying conditions, were entitled to participate in The AGL Employee Share Plan. Six issues of shares were made to employees, involving a total of 2,587,500 ordinary shares of the Chief Entity, the last issue being in November 1996. At 30 June 1998 there were 456 participants in the plan involving a total of 90,000 ordinary shares of the Chief Entity. Outstanding loans to participants at 30 June 1998 amounted to \$253,000 (1997 \$694,000).

Certain senior employees of entities in the economic entity were offered participation in The Australian Gas Light Company Management Share Plan. Six issues of shares were made to employees, involving a total of 5,983,000 ordinary shares of the Chief Entity, the last issue being in November 1996. At 30 June 1998 there were 49 participants in the plan involving a total of 2,783,350 ordinary shares of the Chief Entity. Outstanding loans to participants at 30 June 1998 amounted to \$9,547,000 (1997 \$11,541,000).

| | Consolidated | | Chief Entity | |
|---|--------------|------|--------------|------|
| | 1998 | 1997 | 1998 | 1997 |
| | \$m | \$m | \$m | \$m |
| Aggregate employee entitlement liability | 34.6 | 23.7 | 7.5 | 6.8 |

The aggregate employee entitlement liability at reporting date includes amounts for wages and salaries, annual leave, long service leave and other entitlements.

Note 40 – Associates

| Names of associates | Principal activities of associates | Economic entity's ownership interests in associates | | Economic entity's carrying amounts of investments in associates | | Reporting dates of associates |
|---|--|---|-------|---|-------|-------------------------------|
| | | 1998 | 1997 | 1998 | 1997 | |
| | | % | % | \$m | \$m | |
| AGL Electricity (formerly Solaris Power) | Distribution and sale of electricity | (ii) | 50 | 0.0 | 152.2 | |
| Auscom Holdings Pty Limited | Distribution and sale of LPG and naphtha | 50 | 50 | 41.9 | 36.7 | 31 December 1997 |
| Changchun Chinaust Automotive Spare Parts Corporation Limited | Manufacture and sale of tubing for automotive industry | 45 | 45 | 0.8 | 0.2 | 31 December 1997 |
| Chinaust Plastics Corporation Limited | Manufacture and sale of plastic and nylon pipes | 50 | 50 | 5.4 | 1.3 | 31 December 1997 |
| East Australian Pipeline Limited (i) | Transmission of natural gas and ethane | 51 | 51 | 97.5 | 89.2 | 30 June 1998 |
| Empresa de Gas de la Quinta Region SA | Distribution and sale of natural gas | 50 | 0 | 25.7 | 0 | 31 December 1997 |
| Inversiones Plasticas SA | Manufacture and sale of plastic and nylon pipes | 50 | 0 | 2.3 | 0 | 31 December 1997 |
| Natural Gas Corporation Holdings Limited | Transmission, distribution and sale of natural gas | 33.33 | 33.33 | 143.7 | 130.6 | 30 June 1998 |
| Shanghai Chinaust Plastics Corporation Limited | Manufacture and sale of gas pipes and tubes | 50 | 50 | 1.1 | 0.3 | 31 December 1997 |
| | | | | 318.4 | 410.5 | |

Summarised assets, liabilities and profits of associates

| Names of associates | Assets | | Liabilities | | Profits after tax | |
|---|----------------|---------|----------------|---------|-------------------|------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| AGL Electricity (formerly Solaris Power) (ii) | 0.0 | 1,040.4 | 0.0 | 742.8 | 0.0 | 7.7 |
| Auscom Holdings Pty Ltd | 319.7 | 293.3 | 235.9 | 214.0 | 11.5 | 5.4 |
| East Australian Pipeline Limited | 514.0 | 506.1 | 334.6 | 326.7 | 30.1 | 25.7 |
| Natural Gas Corporation Holdings Limited | 973.2 | 1,049.8 | 555.4 | 461.9 | 45.8 | 29.2 |
| Other | 141.9 | 24.4 | 87.1 | 7.6 | 3.9 | 2.0 |
| | 1,948.8 | 2,914.0 | 1,213.0 | 1,753.0 | 91.3 | 70.0 |

(i) Refer Note 37.

(ii) Became a controlled entity on 8 January 1998.

Notes to the Financial Statements

for the year ended 30 June 1998

Consolidated

| | 1998 | 1997 |
|--|--------|--------|
| | \$m | \$m |
| Note 40 – Associates (continued) | | |
| <i>Economic entity's share of associates*</i> | | |
| Operating profits before tax | 68.5 | 57.4 |
| Income tax expense attributable to operating profits | (27.1) | (27.0) |
| Outside equity interests | (0.1) | 0.0 |
| Profits after tax | 41.3 | 30.4* |
| Contingent liabilities | 0.0 | 19.7 |
| Capital commitments contracted for | 30.6 | 35.0 |
| Other expenditure commitments contracted for | 19.7 | 26.3 |

* Associates were not equity accounted in 1997; amounts are shown for comparative purposes only.

Retained profits and reserves of the economic entity attributable to associates

| | | |
|---|------|--|
| On adoption of equity accounting on 1 July 1997 | | |
| Retained profits | 25.7 | |
| Reserves | 34.3 | |
| At end of financial year | | |
| Retained profits | 47.9 | |
| Reserves | 33.5 | |

Movements in the carrying amount of investments in associates

| | |
|---|---------|
| At beginning of financial year | 410.5 |
| Adjustments on adoption of equity accounting | 60.0 |
| Additional investments in associates | 28.6 |
| Partial disposal of investment in an associate | (46.4) |
| Share of profits of associates | 41.3 |
| Dividends received from associates | (16.7) |
| Share of movements in reserves of associates | (0.8) |
| Movements due to changes in foreign currency exchange rates | (3.4) |
| Adjustment on associate becoming a controlled entity | (154.7) |
| At end of financial year | 318.4 |

The Chief Entity is not aware of any significant events or transactions which have occurred after the reporting date of an associate and which could materially affect the financial position or operating performance of that associate for the next financial year.

Except as described below or where appropriate adjustments have been made, the Chief Entity is not aware of any dissimilar accounting policies adopted by an associate that would materially affect the amounts determined as being the economic entity's share of the net assets, the profit or loss and the reserves of the associate.

Natural Gas Corporation Holdings Limited (NGC) has adopted an accounting policy dissimilar to that adopted by the Chief Entity and its controlled entities. NGC revalued its transmission and distribution pipeline systems on 30 June 1997 to reflect optimised deprival values. Previously, these assets were recorded at historical depreciated values. The revaluation increased the value of NGC's pipeline systems by NZ\$164.1 million, increased revaluation reserves by NZ\$109.9 million and increased deferred taxation by NZ\$54.2 million. During the year ended 30 June 1998, the revaluation reserve was reduced by NZ\$2.9 million. It is not possible to make adjustments to eliminate the effect of this dissimilar accounting policy.

Note 41 – Additional related party disclosures

Transactions with directors/director-related entities

(a) Loans made to, and repayments received from, directors of the Chief Entity, its controlled entities and related parties

| | Consolidated | | Chief Entity | | Names of directors |
|---|--------------|-------|--------------|-------|---|
| | 1998 | 1997 | 1998 | 1997 | |
| | \$000 | \$000 | \$000 | \$000 | |
| Interest-free loans pursuant to the AGL Share Loan Plan and The Australian Gas Light Company Management Share Plan, repayable out of the proceeds from dividends on the shares issued pursuant to the plans | | | | | WR Armitage, PL Beeren, LF Bleasel, PD Bolding, RS Clare, JA Cooper, LJ Fisk, JA Fletcher, MA Fraser, RM Gersbach, CW Harvey, SG Hattersley, GW Hollings, GJW Martin, JK McDonald, SP Ohl, JG Pullar, KE Windybank and IC Woodward. |
| Aggregate loans advanced | 1,413 | 1,103 | 1,413 | 1,103 | |
| Aggregate loan repayments received | 577 | 682 | 577 | 682 | |
| Interest-free loans pursuant to The AGL Employee Share Plan, repayable monthly over 3 years | | | | | The directors listed above (excluding SG Hattersley, SP Ohl, JG Pullar and IC Woodward) and BN Miller. |
| Aggregate loans advanced | 0 | 20 | 0 | 20 | |
| Aggregate loan repayments received | 12 | 13 | 12 | 13 | |

Notes to the Financial Statements

for the year ended 30 June 1998

Note 41 – Additional related party disclosures (continued)

(b) Transactions with directors (or director-related entities) of the Chief Entity and its controlled entities within a normal employee or customer relationship, on terms and conditions no more favourable than if the economic entity were dealing at arm's length with the directors (or director-related entities) and trivial or domestic in nature

Reimbursement of out of pocket expenses incurred by directors for the benefit of the economic entity.

Sale of energy and appliances to directors and director-related entities.

(c) Share transactions and shareholdings of directors of the Chief Entity and their director-related entities in respect of any entity in the economic entity

| | Ordinary shares of the Chief Entity | |
|--|--|------|
| | 1998 | 1997 |
| | 000 | 000 |
| Aggregate number acquired during the year (i) | 15 | 0 |
| Aggregate number disposed of during the year (i) | 0 | 0 |
| Aggregate number held as at the end of the year | 772 | 755 |

(i) Acquisitions and disposals only include issues and repurchases of shares by the Chief Entity. Other transactions have been excluded in accordance with the provisions of Accounting Standard AASB 1017 'Related Party Disclosures'.

Transactions between the Chief Entity and controlled entities

Sale of natural gas, at cost, to a wholly-owned controlled entity for eventual sale to consumers.

Provision of administrative services, at cost, to wholly-owned controlled entities.

Advance of funds to, and receipt of funds from, wholly-owned controlled entities as interest free and interest bearing inter-entity loans.

Advance of funds to, and receipt of funds from, partly-owned controlled entities as inter-entity loans, on normal commercial terms and conditions.

Transactions with associates

| | | 1998 | 1997 |
|--|---|---------|------|
| | | \$m | \$m |
| AGL Electricity (formerly Solaris Power) (i) | The Chief Entity and controlled entities provided technical and management services to AGL Electricity, on normal commercial terms and conditions | 0.4(ii) | 1.0 |
| Auscom Holdings Pty Limited | A controlled entity subscribed for additional ordinary shares in Auscom Holdings Pty Limited, on arm's length terms and conditions | 0.0 | 20.0 |
| East Australian Pipeline Limited | Controlled entities were provided with natural gas transportation services by East Australian Pipeline Limited, on arm's length terms and conditions | 91.2 | 87.3 |
| | A controlled entity provided technical and management services to East Australian Pipeline Limited, on normal commercial terms and conditions | 1.3 | 0.0 |
| | A controlled entity participated in a share buy-back by East Australian Pipeline Limited, on arm's length terms and conditions | 0.0 | 15.3 |
| Elgas Limited | A controlled entity supplied liquefied petroleum gas (LPG) to Elgas Limited, an entity controlled by Auscom Holdings Pty Limited, on normal commercial terms and conditions | 6.7 | 6.4 |
| Natural Gas Corporation Limited | The Chief Entity and controlled entities provided technical and management services to Natural Gas Corporation Limited, an entity controlled by Natural Gas Corporation Holdings Limited, on normal commercial terms and conditions | 1.3 | 1.4 |

(i) Became a controlled entity on 8 January 1998.

(ii) Relates to period 1 July 1997 to 7 January 1998.

In addition, a partly-owned controlled entity provided management and related services amounting to \$9.2 million (1997 \$9.8 million) to an associate on a cost reimbursement basis.

Name of each person holding the position of director of the Chief Entity at any time during the financial year

| | |
|---------------|-----------------------|
| M J Phillips | Sir Ronald A Brierley |
| M R G Johnson | E F Herbert |
| L F Bleasel | C J Hewson |
| D C K Allen | G J Reaney |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|--|--------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 42 – Cash flow information | | | | |
| (a) Reconciliation of cash | | | | |
| Cash | 5.8 | 8.2 | 0.3 | 4.1 |
| Bank overdrafts | (3.7) | (1.0) | (1.4) | (0.2) |
| Money market borrowings | (6.3) | 0.0 | (6.3) | 0.0 |
| | (4.2) | 7.2 | (7.4) | 3.9 |
| (b) Financing facilities | | | | |
| Credit standby arrangements | | | | |
| Amounts used | 100.0 | 175.0 | 100.0 | 175.0 |
| Amounts unused | 650.0 | 175.0 | 650.0 | 175.0 |
| | 750.0 | 350.0 | 750.0 | 350.0 |
| Other financing arrangements – amounts used | 776.8 | 175.4 | 769.5 | 156.2 |
| Credit standby arrangements had the following maturity pattern and were able to be drawn down without restriction. | | | | |
| Not later than 1 year | 150.0 | 50.0 | 150.0 | 50.0 |
| Later than 1, not later than 2 years | 100.0 | 150.0 | 100.0 | 150.0 |
| Later than 2, not later than 5 years | 500.0 | 150.0 | 500.0 | 150.0 |

The majority of these facilities may be extended by mutual agreement and all are committed by major banks.

Other financing arrangements include debentures, notes, finance leases, term loans and similar facilities, which are fully drawn and for fixed periods. Two of these facilities are drawn in US dollars.

(c) Non-cash financing and investing activities

There were no material non-cash financing or investing activities during the year ended 30 June 1998.

(d) Reconciliation of net cash provided by operating activities to operating profit after income tax

| | | | | |
|--|--------------|-------|--------------|--------|
| Operating profit after income tax | 196.5 | 148.2 | 170.9 | 148.1 |
| Equity share of associates' profits | (41.3) | 0.0 | 0.0 | 0.0 |
| Dividends received from associates | 28.0 | 0.0 | 0.0 | 0.0 |
| Depreciation, amortisation and diminution in value of assets | 95.8 | 77.5 | 1.3 | 0.8 |
| Increase (decrease) in provisions | 5.6 | (1.8) | 0.8 | 4.4 |
| Profit on sale of property, plant and equipment | (6.2) | (8.6) | 0.0 | (0.1) |
| Profit on disposal of investments | (11.7) | (2.9) | (10.2) | 0.0 |
| Other non-cash items included in operating profit | 0.3 | 0.0 | 0.0 | 0.0 |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in receivables | (77.4) | 24.2 | (2.5) | 0.9 |
| Decrease in inventories | 1.8 | 4.9 | 0.0 | 0.0 |
| (Increase) decrease in other assets | 42.0 | (6.5) | (7.7) | (0.2) |
| Increase (decrease) in creditors | 4.1 | (0.1) | (2.4) | 7.5 |
| Increase (decrease) in other liabilities | (9.1) | 7.5 | 4.1 | 0.0 |
| (Increase) decrease in interest receivable accrued | (2.5) | (0.1) | 0.4 | 0.0 |
| Increase (decrease) in net interest payable accrued/prepaid | 11.4 | (0.3) | 6.1 | (0.2) |
| Increase (decrease) in income taxes payable | 27.1 | 14.7 | 1.3 | (16.3) |
| Net cash provided by operating activities | 264.4 | 256.7 | 162.1 | 144.9 |

Notes to the Financial Statements

for the year ended 30 June 1998

| | Consolidated | | Chief Entity | |
|---|----------------|-------------|--------------|-------------|
| | 1998 \$m | 1997 \$m | 1998 \$m | 1997 \$m |
| Note 42 – Cash flow information (continued) | | | | |
| (e) Entity acquired by the economic entity (refer Note 37) | | | | |
| Cash consideration | 225.6 | 0.0 | 0.0 | 0.0 |
| Fair value of net assets of entity acquired | | | | |
| Cash | 2.7 | 0.0 | 0.0 | 0.0 |
| Receivables | 51.1 | 0.0 | 0.0 | 0.0 |
| Investments | 10.7 | 0.0 | 0.0 | 0.0 |
| Property, plant and equipment | 439.8 | 0.0 | 0.0 | 0.0 |
| Intangibles | 527.0 | 0.0 | 0.0 | 0.0 |
| Future income tax benefits | 5.1 | 0.0 | 0.0 | 0.0 |
| Other assets | 10.5 | 0.0 | 0.0 | 0.0 |
| Accounts payable | (50.9) | 0.0 | 0.0 | 0.0 |
| Borrowings | (644.7) | 0.0 | 0.0 | 0.0 |
| Provisions | (47.7) | 0.0 | 0.0 | 0.0 |
| | 303.6 | 0.0 | 0.0 | 0.0 |
| Proportion of net assets acquired | 151.8 | 0.0 | 0.0 | 0.0 |
| Goodwill on acquisition | 73.8 | 0.0 | 0.0 | 0.0 |
| | 225.6 | 0.0 | 0.0 | 0.0 |
| Outflow of cash to acquire entity, net of cash balances acquired | | | | |
| Cash consideration | 225.6 | 0.0 | 0.0 | 0.0 |
| Less cash balances acquired | 2.7 | 0.0 | 0.0 | 0.0 |
| Outflow of cash | 222.9 | 0.0 | 0.0 | 0.0 |

Note 43 – Economic dependency

(a) The economic entity is dependent upon a consortium of producers for the supply of natural gas from the Cooper Basin in South Australia. A long term contract protects the continuity of supply.

The Chief Entity has an obligation to pay the consortium of producers for a specified minimum quantity of gas each contract year, irrespective of the quantity actually supplied by the producers. The Chief Entity has the right to receive, without additional payment to the producers, a future delivery of gas equivalent to the quantity paid for but not taken in any contract year.

(b) The economic entity is dependent to a significant extent on the acquisition of electricity from generating entities and the use of transmission systems. Ongoing contracts are in place both for the purchase of electricity and the use of the transmission systems.

Note 44 – Additional financial instruments disclosures**Derivative financial instruments***Objectives and significant terms and conditions*

The economic entity enters into a variety of derivative financial instruments to manage the risks described below. The economic entity does not enter into such instruments for speculative purposes.

(a) Interest rate risk management

The economic entity uses various types of interest rate contracts in managing its interest rate exposure.

The economic entity uses interest rate swaps to fix funding costs with the objective of obtaining a more stable and predictable interest expense outcome. Interest rate swaps allow the economic entity to raise short and long term borrowings at floating rates and effectively swap them into fixed rates. Under interest rate swaps, the economic entity agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to agreed notional principal amounts. Swap contracts are usually between one and ten years in duration.

The economic entity has a policy which allows the fixed/floating rate ratio to be adjusted between certain parameters depending on the perceived direction of interest rates. Swaps may sometimes be terminated or offset to achieve the desired fixed/floating portfolio mix.

Forward rate agreements are generally used by the economic entity to offset changes in the rates applying to short term floating rate debt. These agreements are commitments to either purchase or sell designated derivative instruments at a future date for a specified price.

The economic entity purchases interest rate options to protect it from adverse changes in interest rates on its debt. The economic entity's option contracts have terms of up to 2 years. The economic entity's policy is that options cannot be sold unless matched with offsetting purchased options.

Notes to the Financial Statements

for the year ended 30 June 1998

Note 44 – Additional financial instruments disclosures (continued)

The remaining terms and notional principal amounts of the economic entity's outstanding interest rate contracts at the reporting date are detailed in the following table.

| | Average interest rates 1998 % | Notional principal amounts 1998 \$m |
|---------------------|--|--|
| Less than 1 year | 7.8 | 65.0 |
| 1 to 2 years | 7.9 | 65.0 |
| 2 to 5 years | 8.2 | 555.0 |
| Longer than 5 years | 6.6 | 870.0 |
| | | 1,555.0 |

The interest rate contracts in place at the reporting date principally relate to the economic entity's US dollar borrowings. These borrowings are the subject of a number of contracts resulting in the aggregate notional principal amount (\$1,555.0 million) exceeding the Australian dollar equivalent of the borrowings (\$768.0 million).

(b) Foreign exchange risk management

The economic entity enters into various types of foreign exchange contracts in managing its foreign exchange exposure.

Hedges of foreign currency transactions

The economic entity enters into forward exchange contracts to hedge certain firm transactions denominated in foreign currencies and anticipated but not yet committed payments and/or receipts expected to be denominated in those currencies, such as purchases of materials, interest payable and dividends receivable. The terms of the contracts do not exceed six months. The purpose of the economic entity's foreign currency hedging activities is to protect the economic entity from the risk that the eventual Australian dollar cash flows will be adversely affected by changes in exchange rates. Like interest rate risk management, the economic entity has a policy which allows the extent of foreign exchange hedges to be varied within parameters preset by the Board.

Receivables at 30 June 1998 include an aggregate \$1.0 million due in foreign currencies which has not been hedged.

Hedges of foreign currency borrowings

The economic entity has borrowings denominated in foreign currencies. It is the economic entity's policy to fully hedge the currency exposure on such borrowings by entering into forward foreign exchange swaps.

The settlement dates, amounts to be received and contractual exchange rates of the economic entity's outstanding foreign exchange contracts in respect of borrowings at the reporting date are detailed in the following table.

| | 1998 \$m |
|---|---------------------|
| Buy United States dollars | |
| Less than 6 months, at rates averaging US\$0.6352 | 162.4 |
| 9 to 10 years, at rates averaging US\$0.6605 | 605.6 |
| | 768.0 |

The net deferred gain on hedges of foreign currency borrowings at 30 June 1998 of \$0.5 million will be recognised in the profit and loss account within 6 months of the reporting date.

(c) Credit risk

Credit exposure represents the extent of credit related losses that the economic entity may be subject to on the amounts to be exchanged under derivative instruments.

The economic entity is exposed to credit related losses in the event of non-performance by counterparties to derivative instruments, but it is not expected that any counterparties will fail to meet their obligations given their high credit ratings. The economic entity does not require collateral or other security to support such obligations. At 30 June 1998, the economic entity had no significant concentration of credit risk with any single counterparty or group of counterparties in respect of derivative instruments. Amounts receivable by the economic entity at the reporting date are detailed in the following table.

| | 1998 \$m |
|-----------------------------------|---------------------|
| Amounts receivable in respect of: | |
| Interest rate contracts | 36.8 |
| Foreign exchange contracts | 52.9 |
| | 89.7 |

Notes to the Financial Statements

for the year ended 30 June 1998

Note 44 – Additional financial instruments disclosures (continued)

(d) Liquidity risk

Liquidity risk relating to the use of derivative instruments arises from possible future adverse changes in market conditions. In such circumstances, the economic entity either may be forced to sell derivative positions at values which are below their underlying worth or may be unable to exit the positions at all. Accordingly, the economic entity only utilises highly liquid derivative markets, although illiquidity in certain market conditions cannot be entirely avoided.

The economic entity has adequate standby facilities and other funding arrangements to enable it to settle all outstanding derivative transactions on the due dates.

Net fair values

The carrying amounts and net fair values, at the reporting date, of the economic entity's financial assets and liabilities are detailed in the following table.

| | Note | Carrying amounts 1998 \$m | Net fair values 1998 \$m |
|---|-----------|------------------------------------|-----------------------------------|
| <i>Financial assets</i> | | | |
| Traded on organised markets | | | |
| Inscribed stock | 15(c) | 0.1 | 0.1 |
| Not readily traded on organised markets | | | |
| Cash (including deposits at call) | – | 5.8 | 5.8 |
| Debtors * | 8 and 13 | 134.4 | 182.2 |
| Unbilled gas and electricity revenue | 8 | 99.0 | 99.0 |
| Loans receivable | 8 and 13 | 27.4 | 27.4 |
| Other receivables | 8 and 13 | 39.4 | 35.9 |
| Favourable interest rate contracts | – | 0.0 | 36.8 |
| | | 306.0 | 387.1 |
| | | 306.1 | 387.2 |
| | | 5.1 | 52.9 |
| <i>Financial liabilities</i> | | | |
| Not readily traded on organised markets | | | |
| Creditors | 20 and 24 | 146.9 | 146.9 |
| Other payables | 20 and 24 | 32.7 | 32.7 |
| Bank borrowings | 21 and 25 | 102.3 | 102.9 |
| Debentures | 21 | 0.6 | 0.6 |
| Bank overdrafts | 21 | 3.7 | 3.7 |
| Senior notes and debentures | 25 | 768.6 | 768.0 |
| Other borrowings | 21 | 6.4 | 6.4 |
| Lease liabilities | 21 and 25 | 5.2 | 5.2 |
| Unfavourable interest rate contracts | – | 0.0 | 53.9 |
| | | 1,066.4 | 1,120.3 |

* Includes receivables in respect of favourable foreign exchange contracts

Bases for determining net fair values

Inscribed stock – quoted market last sale price at the reporting date, adjusted for any transaction costs necessary to realise the asset.

Cash, debtors, unbilled gas and electricity revenue, creditors, other payables and non-interest bearing loans and other receivables – carrying amounts (cost basis or directors' valuations) of the assets and liabilities, which approximate net market values.

Interest bearing loans and other receivables and interest bearing borrowings – expected future cash flows discounted by the current interest rates for assets and liabilities with similar risk profiles.

Interest rate contracts and foreign exchange contracts – amounts receivable or payable in order to realise favourable contracts and settle unfavourable contracts at the reporting date.

Financial assets with carrying amounts in excess of net fair values have not been written down as it is expected that the carrying amounts will be fully recovered by holding the assets to maturity.

Notes to the Financial Statements

for the year ended 30 June 1998

Note 44 – Additional financial instruments disclosures (continued)**Interest rate risk**

The economic entity's exposure to interest rate risk and the effective interest rates on financial instruments at the reporting date are detailed in the following table.

| | Weighted average effective interest rate % | Floating interest rate \$m | Fixed interest rate maturities | | | Non- interest bearing \$m | Total \$m |
|--------------------------------------|---|-------------------------------------|--------------------------------|------------------------|-----------------------------|------------------------------------|--------------|
| | | | 1 year or less \$m | 1 to 5 years \$m | more than 5 years \$m | | |
| <i>Financial assets</i> | | | | | | | |
| Cash (including deposits at call) | 4.9 | | 0.9 | | | 4.9 | 5.8 |
| Debtors | – | | | | | 134.4 | 134.4 |
| Unbilled gas and electricity revenue | – | | | | | 99.0 | 99.0 |
| Loans receivable | 11.4 | 7.6 | 0.1 | 0.4 | | 19.3 | 27.4 |
| Other receivables | 7.1 | 32.5 | | | | 6.9 | 39.4 |
| Inscribed stock | 5.8 | | 0.1 | | | | 0.1 |
| Interest rate contracts (a) (b) | 6.8 | 790.0 | | | (790.0) | | 0.0 |
| | | 830.1 | 1.1 | 0.4 | (790.0) | 264.5 | 306.1 |
| <i>Financial liabilities</i> | | | | | | | |
| Creditors | – | | | | | 146.9 | 146.9 |
| Other payables | 0.4 | 24.4 | | | | 8.3 | 32.7 |
| Bank borrowings | 5.8 | 1.6 | 100.3 | 0.4 | | | 102.3 |
| Debentures | 10.4 | | 0.6 | | | | 0.6 |
| Bank overdrafts | 8.3 | 3.7 | | | | | 3.7 |
| Senior notes and debentures | 6.5 | | | 163.0 | 605.6 | | 768.6 |
| Other borrowings | 5.1 | | 6.3 | 0.1 | | | 6.4 |
| Lease liabilities | 5.0 | | 4.7 | 0.5 | | | 5.2 |
| Interest rate contracts (a) | 8.0 | (715.0) | 40.0 | 645.0 | 30.0 | | 0.0 |
| | | (685.3) | 151.9 | 809.0 | 635.6 | 155.2 | 1,066.4 |

(a) Notional principal amounts.

(b) Comprises \$815.0 million of fixed to floating swaps offset by \$25.0 million of floating to fixed swaps.

Maximum credit risk exposure

The carrying amounts of financial assets, net of any provisions, generally represent the economic entity's maximum exposure to credit risk in relation to those assets.

Note 45 – Electricity purchase contracts

Exposure to fluctuations in wholesale market energy prices is minimised through the use of forward electricity purchase contracts.

Franchise load

Wholesale market vesting contracts have been entered into with electricity generators to manage the financial risks associated with fluctuations in the market price of electricity until December 2000. These contracts provide a hedge in respect to the purchase cost of electricity for the forecast franchise load.

Contestable load

It is the policy of the economic entity to substantially hedge its forecast contestable load and the economic entity has entered into hedging contracts with individual generators to cover this load. Any unhedged positions will expose the economic entity to pool price variation. The economic entity's policy ensures that these exposures and the consequent price risk are managed within prescribed limits.

Statement by Directors

In the opinion of the directors of The Australian Gas Light Company:

- (a) the accompanying profit and loss account gives a true and fair view of the profit of the Chief Entity for the year ended 30 June 1998;
- (b) the accompanying balance sheet gives a true and fair view of the state of affairs of the Chief Entity as at 30 June 1998;
- (c) at the date of this statement there are reasonable grounds to believe that the Chief Entity will be able to pay its debts as and when they fall due; and
- (d) the accompanying consolidated financial statements have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and, in particular, give a true and fair view of the matters with which they deal.

The directors have elected under section 285 of the Corporations Law to apply the proposed revised accounting standard AASB 1016 'Accounting for Investments in Associates' (released in May 1997) in the accompanying consolidated financial statements.

Signed in accordance with a resolution of the directors.



M J Phillips
Chairman



L F Bleasel
Director

Sydney, 27 August 1998

Independent Audit Report to the Proprietors of the Australian Gas Light Company

Scope

We have audited the financial statements of The Australian Gas Light Company for the financial year ended 30 June 1998 as set out on pages 34 to 66. The financial statements include the consolidated accounts of the economic entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Proprietors of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position, the results of their operations and their cash flows.

The names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditors are indicated in Note 37 to the financial statements. We have, however, received sufficient information and explanations concerning those controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of The Australian Gas Light Company are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1998 and the profit and cash flows for the financial year ended on that date of the Company and the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.



Deloitte Touche Tohmatsu



G Coultas
Partner

Chartered Accountants
Sydney, 27 August 1998

The following information with respect to 322,652,034 \$1.00 fully paid ordinary shares on issue as at 18 August 1998 reflects the Share Register at that date.

- There were 42,732 holders of ordinary shares. Voting rights in the case of a poll are:
 - one vote for every 5 shares up to 100 shares,
 - one vote for every 10 shares between 101 and 200 shares,
 - one vote for every 25 shares in excess of 200 shares up to one fourth of the total number of shares issued (but see Note below)
- The 20 largest holders represented 50.20% of the total issued capital.
- The distribution of holders was:

| | |
|-------------------------|--------|
| 1 – 1,000 shares | 20,804 |
| 1,001 – 5,000 shares | 17,070 |
| 5,001 – 10,000 shares | 2,870 |
| 10,001 – 100,000 shares | 1,808 |
| 100,001 shares and over | 180 |
| | 42,732 |

- There were 1,484 holders of less than 100 shares.

- Holders by address and class of holder were:

| Addresses | No. of holders | % | No. shares | % |
|----------------|----------------|-------|-------------|-------|
| Australia | 39,603 | 92.7 | 316,958,736 | 98.3 |
| USA and Canada | 525 | 1.2 | 346,617 | 0.1 |
| United Kingdom | 768 | 1.8 | 431,813 | 0.1 |
| New Zealand | 1,589 | 3.7 | 4,239,307 | 1.3 |
| Others | 247 | 0.6 | 675,561 | 0.2 |
| | 42,732 | 100.0 | 322,652,034 | 100.0 |

| Class of | No. of holders | % | No. shares | % |
|---------------------|----------------|-------|-------------|-------|
| Individuals | 32,416 | 75.9 | 72,024,754 | 22.3 |
| Companies and other | 10,316 | 24.1 | 250,627,280 | 77.7 |
| | 42,732 | 100.0 | 322,652,034 | 100.0 |

| Twenty largest Proprietors As at 18 August 1998 | Fully paid ordinary shares of \$1.00 | Percentage of total issued shares |
|--|---|--------------------------------------|
| 1. Westpac Custodian Nominees Limited | 31,039,645 | 9.62 |
| 2. National Nominees Limited | 29,282,680 | 9.08 |
| 3. Chase Manhattan Nominees Limited | 27,011,370 | 8.37 |
| 4. ANZ Nominees Limited | 13,631,955 | 4.22 |
| 5. BT Custodial Services Pty Ltd | 9,144,797 | 2.83 |
| 6. Permanent Trustee Australia Limited | 8,235,933 | 2.55 |
| 7. AMP Life Limited | 7,682,609 | 2.38 |
| 8. Citicorp Nominees Pty Limited | 6,150,555 | 1.91 |
| 9. Queensland Investment Corporation | 5,630,252 | 1.74 |
| 10. National Mutual Trustees Ltd | 4,259,575 | 1.32 |
| 11. NRMA Investments Pty Limited | 3,870,420 | 1.20 |
| 12. SAS Trustee Corporation | 3,553,769 | 1.10 |
| 13. National Mutual Life Assoc. of A'Asia Ltd | 2,592,584 | 0.80 |
| 14. Mercantile Mutual Life Insurance Company Ltd | 2,329,458 | 0.72 |
| 15. MLC Limited | 1,667,500 | 0.52 |
| 16. Commonwealth Custodial Services Limited | 1,313,360 | 0.41 |
| 17. Labrador Pty Limited | 1,263,150 | 0.39 |
| 18. CSS Board | 1,194,864 | 0.37 |
| 19. Perpetual Trustees Victoria Ltd | 1,093,814 | 0.34 |
| 20. Tower Life Limited | 1,029,317 | 0.32 |
| | 161,977,607 | 50.20 |

Note

The Gas Supply Act 1996 (formerly the Gas Industry Restructuring Act 1986) prohibits any shareholding entitlement in excess of 5% of the Company's issued capital except where the Minister for Energy has given written approval to such a holding with the Company's consent.

Westpac Custodian Nominees Limited, National Nominees Limited and Chase Manhattan Nominees Limited hold the shares registered in their names as bare trustees.

Proprietor Information

Enquiries

Proprietors with enquiries about any aspect of their shareholdings should contact the Company's Share Registry as follows:

Share Registry
The Australian Gas Light Company
PO Box 944
North Sydney NSW 2059
AUSTRALIA
Telephone: 02 9922 8259 (within Australia)
612 9922 8259 (international)
Facsimile: 02 9922 3352 (within Australia)
612 9922 3352 (international)

Enquiries of a general nature should be directed to the Manager Investor Relations on 02 9922 8576.

The Final Dividend

Subject to formal approval at the Annual General Meeting to be held on Tuesday 20 October 1998, the final dividend of 22 cents per share franked to 17 cents will be paid on that day.

Direct Payment to Proprietors' Accounts

Proprietors who receive their dividends by cheque may wish to take advantage of the direct deposit system which is available to anyone who has an account with a bank, building society or credit union within Australia. The direct deposit system is prompt and secure. Proprietors who wish to have their dividends paid directly to their account should contact the Share Registry.

Dividend Reinvestment Plan

The Plan offers Proprietors the alternative of receiving shares in lieu of a cash dividend. Shares are issued at a 5% discount on the weighted average market price of the Company's shares over the five business days up to and including the record date and no brokerage or stamp duty is payable. A booklet explaining the AGL Dividend Reinvestment Plan can be obtained from the Share Registry.

Stock Exchange Listing

The Company's shares are listed on the Australian Stock Exchange. Details of share transactions and prices are published in the financial pages of daily capital city newspapers under the code 'AGL'.

Issuer Sponsorship

AGL converted to Issuer Sponsorship in January 1998 which means that AGL is now totally uncertificated. Each Issuer Sponsored Proprietor has been given a unique shareholder reference number (SRN) to facilitate share trading by telephone. Any movement of shares on a Proprietor's shareholding is reflected in a statement issued to them at month end.

CHESS (Clearing House Electronic Sub-register System)

CHESS is the centralised electronic clearing, settlement and transfer system for trading securities on the Australian Stock Exchange without share certificates.

The Company's shares are 'CHESS Approved' and all 'on market' transactions in AGL shares are processed electronically through CHESS.

Change of Name/Address

Proprietors who are Issuer Sponsored should advise the Share Registry promptly of any change of name and/or address so that correspondence with them does not go astray. **All such changes must be advised in writing and cannot be accepted by telephone.**

Proprietors who are in CHESS and Broker Sponsored should instruct their sponsoring broker **in writing** to notify the Share Registry of any change of name and/or address.

In the case of all name changes the written advice must be supported by documentary evidence.

Tax File Number (TFN)

Whilst not compulsory, most Australian resident Proprietors prefer to quote their TFN so as to avoid withholding tax being deducted from dividends which are unfranked.

Proprietors who are Issuer Sponsored should advise the Share Registry of their TFN.

Proprietors who are Broker Sponsored can either advise their sponsoring broker or the Share Registry of their TFN.

TFN application forms can be obtained from the Share Registry on request.

Consolidation of Shareholdings

Proprietors who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Removal from Annual Report mailing list

Proprietors who do not wish to receive the AGL Annual Report should advise the Share Registry **in writing** to remove their names from the mailing list. Those Proprietors will continue to receive all other Proprietor information.

Registered Office

AGL Centre
Cnr Pacific Highway and Walker Street
North Sydney NSW 2060
AUSTRALIA
Telephone 02 9922 0101 (within Australia)
612 9922 0101 (international)

Company Secretary

L J Fisk