

THE AUSTRALIAN GAS LIGHT COMPANY
ARBN 052 167 405 Formed in New South Wales with limited liability
AND CONTROLLED ENTITIES

30 JUNE 1999

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**THE AUSTRALIAN GAS LIGHT COMPANY
AND CONTROLLED ENTITIES
PROFIT AND LOSS STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	Note	Consolidated		Chief Entity	
		1999	1998	1999	1998
		\$m	\$m	\$m	\$m
Revenue					
Continuing operations		1,671.9	1,329.9	568.0	502.0
Property operations	2(t)	<u>3.9</u>	9.8	<u>0.7</u>	1.3
	4(a)	<u>1,675.8</u>	<u>1,339.7</u>	<u>568.7</u>	<u>503.3</u>
Operating profit before borrowing costs, abnormal items and income tax					
Continuing operations		351.1	287.6	190.9	151.2
Property operations	2(t)	<u>(2.2)</u>	1.1	<u>(1.3)</u>	(0.1)
		348.9	288.7	189.6	151.1
Net borrowing costs or interest revenue		<u>(77.8)</u>	(41.2)	<u>13.1</u>	12.9
Operating profit before abnormal items and income tax	4	271.1	247.5	202.7	164.0
Abnormal items	5	<u>0.0</u>	22.2	<u>0.0</u>	10.2
Operating profit before income tax		<u>271.1</u>	<u>269.7</u>	<u>202.7</u>	<u>174.2</u>
Income tax attributable to operating profit before abnormal items		(63.2)	(69.4)	(1.3)	(3.3)
Income tax attributable to abnormal items	5	<u>13.5</u>	(3.8)	<u>0.0</u>	0.0
Income tax attributable to operating profit	6	<u>(49.7)</u>	(73.2)	<u>(1.3)</u>	(3.3)
Operating profit after income tax before abnormal items		207.9	178.1	201.4	160.7
Profit on abnormal items after income tax		<u>13.5</u>	18.4	<u>0.0</u>	10.2
Operating profit after income tax		221.4	196.5	201.4	170.9
Outside equity interests in operating profit after income tax		<u>(0.1)</u>	(0.1)	<u>0.0</u>	0.0
Operating profit after income tax attributable to Proprietors of the Chief Entity					
		221.3	196.4	201.4	170.9
Retained profits at the beginning of the financial year		363.9	275.7	375.5	331.0
Adjustment resulting from a change in accounting policy	2(w)	<u>0.0</u>	18.2	<u>0.0</u>	0.0
Total available for appropriation		<u>585.2</u>	490.3	<u>576.9</u>	501.9
Dividends provided for or paid	7	<u>(147.3)</u>	(126.4)	<u>(147.3)</u>	(126.4)
Retained profits at the end of the financial year		<u>437.9</u>	<u>363.9</u>	<u>429.6</u>	<u>375.5</u>
Earnings per share					
Basic earnings per share (cents)					
Including abnormal items		68.0	65.7		
Excluding abnormal items		63.9	59.6		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (millions)					
		325.5	298.9		
Diluted earnings per share is the same as basic earnings per share.					

**THE AUSTRALIAN GAS LIGHT COMPANY
AND CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 30 JUNE 1999**

	Note	Consolidated		Chief Entity	
		1999	1998	1999	1998
		\$m	\$m	\$m	\$m
Current assets					
Cash		20.0	5.8	14.4	0.3
Receivables	8	296.6	251.5	30.1	51.3
Inventories	9	27.5	29.8	0.0	0.0
Investments	10	0.1	0.0	0.0	0.0
Property, plant and equipment	11	10.8	10.7	8.6	8.4
Other	12	8.9	7.7	1.5	1.0
Total current assets		363.9	305.5	54.6	61.0
Non-current assets					
Receivables	13	63.8	48.7	2,420.0	1,851.5
Inventories	14	2.4	2.4	0.0	0.0
Investments	15	567.3	318.5	504.4	461.2
Property, plant and equipment	16	1,723.4	1,491.8	36.2	34.9
Intangibles	17	601.3	605.6	0.0	0.0
Deferred expenditure	18	233.2	163.0	12.4	17.9
Other	19	60.7	46.7	5.7	4.0
Total non-current assets		3,252.1	2,676.7	2,978.7	2,369.5
Total assets		3,616.0	2,982.2	3,033.3	2,430.5
Current liabilities					
Accounts payable	20	215.8	157.3	46.2	46.2
Borrowings	21	96.1	15.7	95.3	8.6
Provisions	22	114.9	154.3	85.8	74.6
Unearned revenue	23	32.3	26.8	4.3	4.1
Total current liabilities		459.1	354.1	231.6	133.5
Non-current liabilities					
Accounts payable	24	19.1	22.3	0.0	0.0
Borrowings	25	1,239.9	871.1	1,290.9	905.4
Provisions	26	345.5	291.3	15.8	16.0
Unearned revenue	27	28.1	50.7	0.0	0.0
Total non-current liabilities		1,632.6	1,235.4	1,306.7	921.4
Total liabilities		2,091.7	1,589.5	1,538.3	1,054.9
Net assets		1,524.3	1,392.7	1,495.0	1,375.6
Equity					
Share capital	28	1,064.1	322.7	1,063.7	322.7
Reserves	29	22.1	705.9	1.7	677.4
Retained profits		437.9	363.9	429.6	375.5
Equity attributable to Proprietors of the Chief Entity		1,524.1	1,392.5	1,495.0	1,375.6
Outside equity interests in controlled entities	30	0.2	0.2	0.0	0.0
Total equity		1,524.3	1,392.7	1,495.0	1,375.6

**THE AUSTRALIAN GAS LIGHT COMPANY
AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999**

	Note	Consolidated		Chief Entity	
		Inflows (outflows)		Inflows (outflows)	
		1999	1998	1999	1998
		\$m	\$m	\$m	\$m
Cash flows from operating activities					
Receipts from customers		1,396.1	1,103.6	301.4	266.1
Payments to suppliers and employees		(1,028.3)	(799.3)	(292.4)	(280.2)
Proceeds from property mortgage repayments		2.5	3.8	0.0	0.0
Dividends received		39.2	28.3	195.7	161.4
Interest received		17.0	19.8	81.5	55.0
Borrowing costs paid		(81.7)	(45.7)	(63.9)	(38.2)
Income taxes paid		(47.6)	(46.1)	(0.3)	(2.0)
Net cash provided by operating activities	42(d)	<u>297.2</u>	<u>264.4</u>	<u>222.0</u>	<u>162.1</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(441.0)	(259.4)	(12.9)	(10.9)
Payments for investments		(355.6)	(28.8)	0.0	0.0
Payments for acquisition of controlled entities	42(e)	0.0	(222.9)	0.0	0.0
Payments for additional investments in controlled entities		0.0	0.0	(43.2)	0.0
Loans advanced		(39.6)	(3.4)	(3.8)	(3.4)
Proceeds from sale of property, plant and equipment		8.0	6.4	14.8	0.1
Proceeds from disposal of investments		140.9	59.4	0.0	14.7
Proceeds from loan repayments		26.3	12.3	2.5	3.6
Net cash provided by (used in) investing activities		<u>(661.0)</u>	<u>(436.4)</u>	<u>(42.6)</u>	<u>4.1</u>
Cash flows from financing activities					
Proceeds from issue of shares		65.2	376.9	65.2	376.9
Proceeds from borrowings and hedge receipts on foreign currency borrowings		565.5	635.6	565.0	635.5
Repayment of borrowings and hedge payments on foreign currency borrowings		(103.6)	(738.0)	(98.4)	(94.3)
Loans advanced to controlled entities		0.0	0.0	(550.3)	(982.0)
Dividends and other distributions paid		(139.7)	(113.9)	(139.4)	(113.6)
Net cash provided by (used in) financing activities		<u>387.4</u>	<u>160.6</u>	<u>(157.9)</u>	<u>(177.5)</u>
Net increase (decrease) in cash held		23.6	(11.4)	21.5	(11.3)
Cash at the beginning of the financial year		(4.2)	7.2	(7.4)	3.9
Cash at the end of the financial year	42(a)	<u><u>19.4</u></u>	<u><u>(4.2)</u></u>	<u><u>14.1</u></u>	<u><u>(7.4)</u></u>

**THE AUSTRALIAN GAS LIGHT COMPANY
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

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 report is a general purpose financial report and is prepared in accordance with the Corporations Law and accounting standards.

The financial report is prepared on the basis of historical cost and, except where otherwise stated, is 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 report relates to the economic entity, comprising 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 reporting 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.

Interests in partnerships are shown at cost plus the economic entity's share of the undistributed profits of the partnerships. The economic entity's share of the profits of partnerships is recognised as it is earned.

Investments in other entities are shown at cost and dividend income from such entities is brought to account as operating profit.

Interests in unincorporated joint ventures are recognised by including in the financial report, under the appropriate categories, the relevant proportion of joint venture revenue, 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. 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.

Note 2 - Statement of significant accounting policies (continued)

**THE AUSTRALIAN GAS LIGHT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
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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 reporting 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

The economic entity's electricity distribution licence is carried at cost to the economic entity, cost representing the fair value of the licence acquired on the purchase of a controlled entity. The licence was granted in perpetuity, has an infinite useful life and, accordingly, is not amortised. The carrying amount of the licence is reviewed at each reporting date.

(i) Deferred expenditure

Borrowing expenses relating to long term facilities are deferred 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 two 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).

(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, 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.

Note 2 - Statement of significant accounting policies (continued)

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued at

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

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(w)).

Revenue from the provision of services, including revenue from construction contracts, represents consideration received or receivable determined, where appropriate, in accordance with the percentage of completion method, with the stage of completion of each contract determined by reference to the proportion that contract costs for work performed to date bears to the estimated total contract costs.

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

(p) Former gas customers' reserve account

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 reporting 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 reporting 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 reporting 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 and exposures

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 and 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.

(r) Derivative financial instruments

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

Amounts payable and receivable under interest rate swaps, forward rate agreements and interest rate options are recognised in the profit and loss statement 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).

Option fees and amounts receivable and payable in respect of electricity hedging contracts are brought to account on an accruals basis.

Note 2 - Statement of significant accounting policies (continued)

(s) 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.

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(t) Property operations

The economic entity is continuing its orderly withdrawal from its residual real property activities, comprising the development and sale of residential, commercial and industrial properties and the sale of properties surplus to the requirements of the economic entity. Accordingly, 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 statements of the economic entity and the Chief Entity.

(u) Comparative figures

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

(v) Rounding of amounts

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

(w) Changes in accounting policies during the 1997/98 financial year

Accounting for associates

Net adjustments of \$18.2 million and \$34.3 million respectively were made to consolidated retained profits and reserves at the beginning of the 1997/98 financial year to recognise the equity accounted amounts of investments on the initial application of accounting standard AASB 1016 "Accounting for Investments in Associates".

Revenue recognition

Prior to the 1997/98 financial year, gas revenue was not brought to account until customers' meters were read and bills rendered. Given the conflicting accounting policies in respect of gas and electricity revenue recognition following AGL Electricity Limited becoming a controlled entity during the 1997/98 financial year, the economic entity changed its accounting policy in respect of gas revenue recognition so that the policy was consistent with the policy relating to electricity revenue recognition and in accordance with current generally accepted accounting practice. The current policy is described in Note 2(o).

The change in accounting policy resulted in increases of \$6.7 million in the consolidated operating profit after income tax for the 1997/98 financial 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 was treated as an abnormal item of profit.

**THE AUSTRALIAN GAS LIGHT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

	Revenue		Operating result		Total assets	
	1999	1998	1999	1998	1999	1998
	\$m	\$m	\$m	\$m	\$m	\$m
Note 3 - Segment information						
Industry segments						
Energy						
<i>Infrastructure</i>						
Natural gas networks	380.2		156.8		1,035.3	
Natural gas pipelines	327.8		52.8		500.0	
Electricity networks	172.7		68.4		1,100.0	
	<u>880.7</u>		<u>278.0</u>		<u>2,635.3</u>	
<i>Sales and marketing</i>	1,178.2		50.8		278.8	
Less network charges	469.7		0.0		0.0	
	<u>708.5</u>		<u>50.8</u>		<u>278.8</u>	
	1,589.2	1,129.0	328.8	263.8	2,914.1	2,577.2
<i>Power generation</i>	3.0	0.0	1.3	0.0	68.6	0.0
LPG	21.3	23.0	10.4	10.3	75.7	76.0
<i>International business</i>	20.7	63.9	19.0	21.2	383.0	171.7
<i>Change in accounting policy (Notes 2(w) and 5)</i>	0.0	61.6	0.0	10.5	0.0	0.0
	<u>1,634.2</u>	<u>1,277.5</u>	<u>359.5</u>	<u>305.8</u>	<u>3,441.4</u>	<u>2,824.9</u>
Property	3.9	11.0	(2.2)	1.1	69.5	91.1
Other	36.9	47.7	(6.4)	6.6	36.7	30.5
Segment totals	<u>1,675.0</u>	<u>1,336.2</u>	<u>350.9</u>	<u>313.5</u>	<u>3,547.6</u>	<u>2,946.5</u>
Unallocated items	4.3	5.8	(2.0)	(2.6)	68.4	35.7
	<u>1,679.3</u>	<u>1,342.0</u>	<u>348.9</u>	<u>310.9</u>	<u>3,616.0</u>	<u>2,982.2</u>
Less: inter-segment revenue	3.5	2.3	0.0	0.0	0.0	0.0
net borrowing costs	0.0	0.0	77.8	41.2	0.0	0.0
	<u>1,675.8</u>	<u>1,339.7</u>	<u>271.1</u>	<u>269.7</u>	<u>3,616.0</u>	<u>2,982.2</u>
Inter-segment revenue was derived as follows:						
Energy	1.1	0.0				
Property	0.3	1.2				
Other	2.1	1.1				
	<u>3.5</u>	<u>2.3</u>				

Inter-segment pricing is on an "arms-length" basis.

Revenue is principally derived from:

(i) Energy

Infrastructure

Natural gas networks - distribution of natural gas.

Natural gas pipelines - transportation of natural gas and management of gas pipelines.

Electricity networks - distribution of electricity.

Sales and marketing - sale of natural gas and electricity.

Power generation - generation and sale of electricity.

LPG - extraction and sale of LPG and investment in an associate involved in the LPG industry.

International business - distribution of natural gas and investments in foreign associates involved in the gas and electricity industries.

(ii) Property - sale and rental of properties.

(iii) Other - sale of nylon pipe and related products and revenue from other activities.

Geographical segments

Australia	1,651.4	1,273.3	330.4	287.8	3,216.9	2,799.3
New Zealand	20.2	63.9	18.4	21.4	321.5	146.0
Other	4.2	2.5	0.1	1.7	77.6	36.9
	<u>1,675.8</u>	<u>1,339.7</u>	<u>348.9</u>	<u>310.9</u>	<u>3,616.0</u>	<u>2,982.2</u>

There was no material inter-segment revenue.

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	Infrastructure			Sales and marketing	Power generation	LPG	International business
	Natural gas networks	Natural gas pipelines	Electricity networks				
	1999 \$m	1999 \$m	1999 \$m				
Note 3 - Segment information							
(continued)							
Information relating to energy segment							
(a) Funds employed							
Current assets							
Cash	0.0	2.0	(1.6)	2.6	0.0	0.0	1.1
Receivables	17.2	24.1	27.7	200.0	1.4	0.8	11.6
Inventories	1.5	0.0	0.0	6.1	0.0	0.0	0.0
Investments	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Property, plant and equipment	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.9	0.7	0.4	1.8	0.0	0.0	0.0
Non-current assets							
Receivables	0.1	0.2	0.0	0.2	0.0	32.5	13.8
Investments	0.0	212.1	0.0	0.0	34.9	42.2	266.6
Property, plant and equipment	854.2	233.9	446.9	14.7	28.0	0.0	89.4
Intangibles	0.0	3.3	587.4	10.7	0.0	0.0	0.0
Deferred expenditure	150.8	3.1	28.9	17.2	3.8	0.0	0.0
Other	6.4	20.6	10.2	25.5	0.5	0.2	0.5
Total assets	1,035.3	500.0	1,100.0	278.8	68.6	75.7	383.0
Current liabilities							
Accounts payable	21.9	22.2	12.2	87.0	3.7	0.1	32.7
Provisions	21.3	10.0	5.1	15.8	0.0	1.0	2.9
Unearned revenue	22.6	6.1	0.0	3.6	0.0	0.0	0.0
Non-current liabilities							
Accounts payable	0.0	0.0	0.0	19.1	0.0	0.0	0.0
Provisions	181.1	39.8	58.2	42.2	0.6	0.0	1.3
Unearned revenue	22.6	2.7	0.0	2.9	0.0	0.0	0.0
Funds employed	765.8	419.2	1,024.5	108.2	64.3	74.6	346.1
(b) Profit before borrowing costs and abnormal items							
Before income tax	156.8	52.8	68.4	50.8	1.3	10.4	19.0
After income tax	109.3	41.3	42.8	27.7	0.8	9.1	18.2
(c) Profit before borrowing costs and abnormal items / funds employed* (%)							
Before income tax	22.1	15.1	6.8	49.9	4.0	14.1	7.4
After income tax	15.4	11.8	4.3	27.2	2.6	12.3	7.1

* Weighted where appropriate.

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 4 - Operating profit				
Operating profit includes:				
(a) Revenue				
Sales of goods				
Operating activities	1,206.5	1,004.4	284.7	270.9
Other activities	3.1	0.0	0.0	0.0
Provision of services				
Construction contracts	34.9	0.6	0.0	0.0
Other operating activities	215.0	131.2	0.6	1.0
Other activities	0.1	0.1	0.0	0.0
Interest				
Controlled entities				
Wholly-owned	0.0	0.0	76.9	48.0
Partly-owned	0.0	0.0	0.5	0.4
Associates	4.1	6.1	0.0	0.0
Other entities				
Operating activities	13.5	16.2	1.9	4.7
Other activities	0.0	5.4	0.0	0.0
Dividends				
Wholly-owned controlled entities	0.0	0.0	195.7	161.1
Other entities				
Other activities	0.0	0.3	0.0	0.3
Equity share of associates' profits (Note 40)	47.2	41.3	0.0	0.0
Share of partnership profits	0.6	0.0	0.0	0.0
Disposals of assets				
Operating activities	144.9	50.6	0.3	0.2
Other activities	0.0	19.1	0.0	14.7
Contributions of assets	1.5	0.5	0.0	0.0
Rents				
Other activities	1.0	0.5	0.7	1.2
Write-back of provisions no longer required				
Pipeline contract restructuring	1.3	1.3	0.0	0.0
Settlement of contract disputes	2.1	0.0	0.0	0.0
Net foreign currency exchange gain from non-speculative dealing	0.0	0.5	7.4	0.8
Revenue arising from change in accounting policy (Note 2(w))	0.0	61.6	0.0	0.0
	<u>1,675.8</u>	<u>1,339.7</u>	<u>568.7</u>	<u>503.3</u>
All revenue relates to operating activities unless otherwise stated.				
(b) Net gain on disposal of assets				
Investments	0.1	2.5	0.0	0.0
Property, plant and equipment	0.2	3.7	0.0	0.1
(c) Items of expense				
Borrowing costs				
Interest expense				
Controlled entities				
Wholly-owned	0.0	0.0	1.4	5.4
Other entities	90.3	59.6	63.2	34.2
Finance lease expenses				
Finance charges	0.2	1.5	0.0	0.0
Contingent rental	(0.5)	(2.0)	0.0	0.0
Other borrowing costs	1.8	2.5	1.6	0.7
	<u>91.8</u>	<u>61.6</u>	<u>66.2</u>	<u>40.3</u>
Less amounts capitalised as part of the carrying values of assets*	0.5	4.0	0.0	0.0
	<u>91.3</u>	<u>57.6</u>	<u>66.2</u>	<u>40.3</u>

*Capitalisation rate applicable to funds borrowed generally - 1999 6.5%.

Note 4 - Operating profit (continued)

Amounts provided for:

 Diminution in value of capitalised research and development

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
expenditure	0.0	2.3	0.0	0.0
Directors' retiring allowances	0.4	0.3	0.4	0.3
Doubtful debts (net of bad debts recovered)	4.5	5.8	0.0	0.0
Employee entitlements	17.4	23.5	4.5	2.6
Property rental guarantees	0.3	5.2	0.0	0.0
Amounts written off in respect of:				
Inventories scrapped	0.0	0.1	0.0	0.0
Plant and equipment scrapped	1.4	2.7	0.0	0.0
Deferred expenditure	0.1	0.0	0.0	0.0
Amortisation of:				
Deferred expenditure	18.5	17.9	0.2	0.0
Goodwill	4.3	2.4	0.0	0.0
Right to receive net pipeline tariffs	0.7	0.7	0.0	0.0
Depreciation of:				
Buildings				
Freehold	0.1	0.2	0.0	0.1
Leasehold	0.3	0.1	0.0	0.0
Plant and equipment				
Purchased assets	84.5	62.8	0.8	0.8
Leased assets	0.4	2.2	0.0	0.0
Net decrements arising on revaluation of:				
Inventories	0.5	0.1	0.0	0.0
Investments	0.0	0.0	0.0	0.1
Property, plant and equipment	0.9	2.4	0.0	0.0
Receivables	0.4	0.4	0.0	4.7
Rental expense on operating leases				
Goldline rehabilitation programme	20.6	22.8	0.0	0.0
Amadeus Gas Trust assets	17.8	17.6	0.0	0.0
Other	14.7	12.3	5.5	5.4
Net foreign currency exchange loss from non-speculative dealing	1.0	0.0	0.0	0.0
Research and development costs	<u>2.0</u>	<u>2.1</u>	<u>0.0</u>	<u>0.0</u>

The useful life of a computer system was reassessed during the year. The financial effect was a reduction of \$1.5 million (1998 \$1.4 million) in amortisation of deferred expenditure for the year.

Note 5 - Abnormal items

Profit on sale of investment (Income tax expense applicable \$nil)	0.0	11.7	0.0	10.2
Effect of change in accounting policy on revenue recognition (Note 2(w)) (Income tax expense applicable \$3.8 million)	0.0	10.5	0.0	0.0
	<u>0.0</u>	<u>22.2</u>	<u>0.0</u>	<u>10.2</u>
Adjustments to income tax provided in prior years as a result of development allowance claims	<u>13.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

These adjustments are included in "income tax overprovided in prior years" in Note 6.

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 6 - Income tax attributable to operating profit				
Prima facie income tax expense on operating profit at 36%	(97.6)	(97.1)	(73.0)	(62.7)
Tax effect of permanent differences				
Non-allowable expenditure	(7.4)	(8.2)	(0.3)	(3.1)
Non-assessable revenue	7.1	4.6	0.0	0.0
Rebateable/non-assessable dividends	0.0	0.1	70.5	58.1
Equity accounted profits of associates	17.0	14.9	0.0	0.0
Development allowance	1.7	0.0	0.0	0.0
Environmental rehabilitation expenditure	7.5	5.4	0.0	0.0
Profits/losses on disposals of assets	0.3	5.7	0.0	3.7
Realised foreign currency exchange gains/ losses	0.0	(2.1)	0.0	0.0
Other	0.4	0.9	0.6	0.7
Income tax overprovided in prior years (Note 5)	21.3	2.6	0.9	0.0
Income tax expense on operating profit	<u>(49.7)</u>	<u>(73.2)</u>	<u>(1.3)</u>	<u>(3.3)</u>
Note 7 - Dividends				
Interim dividend paid 15 April 1999 (1998 -16 April 1998)				
Franked amount (12 cents per share (1998 12 cents per share))	39.1	35.0	39.1	35.0
Unfranked amount (9 cents per share (1998 7 cents per share))	29.3	20.4	29.3	20.4
Total amount (21 cents per share (1998 19 cents per share))	<u>68.4</u>	<u>55.4</u>	<u>68.4</u>	<u>55.4</u>
Final dividend proposed for 19 October 1999 (1998 - 20 October 1998)				
Franked amount (4 cents per share (1998 17 cents per share))	13.1	54.9	13.1	54.9
Unfranked amount (20 cents per share (1998 5 cents per share))	65.8	16.1	65.8	16.1
Total amount (24 cents per share (1998 22 cents per share))	<u>78.9</u>	<u>71.0</u>	<u>78.9</u>	<u>71.0</u>
	<u>147.3</u>	<u>126.4</u>	<u>147.3</u>	<u>126.4</u>
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)				
	<u>5.0</u>	<u>25.4</u>	<u>5.0</u>	<u>25.4</u>
Note 8 - Receivables (current)				
Debtors	176.6	140.1	4.4	7.0
Less provision for doubtful debts	7.2	6.4	0.0	0.0
	<u>169.4</u>	<u>133.7</u>	<u>4.4</u>	<u>7.0</u>
Unbilled gas and electricity revenue	112.1	99.0	0.0	0.0
Loans receivable (unsecured)	0.1	0.1	0.0	0.0
Loans receivable (secured)				
At directors' valuation 1999	0.2	0.0	0.0	0.0
At directors' valuation 1998	0.0	2.8	0.0	0.0
At cost	0.6	8.2	0.6	0.6
	<u>0.8</u>	<u>11.0</u>	<u>0.6</u>	<u>0.6</u>
Loans to directors engaged in full time employment within the economic entity (secured)	0.7 +	0.8 *	0.7 +	0.8 *
Amounts owing by wholly-owned controlled entities	0.0	0.0	24.0	42.6
Amounts owing by:				
Partly-owned controlled entities	0.0	0.0	0.1	0.1
Associates	13.5	6.9	0.3	0.2
	<u>13.5</u>	<u>6.9</u>	<u>0.4</u>	<u>0.3</u>
	<u>296.6</u>	<u>251.5</u>	<u>30.1</u>	<u>51.3</u>

+ To nearest thousand dollars, \$690,000.

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

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 8 - Receivables (current) (continued)				
<i>Significant terms and conditions</i>				
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 a property related loan which is secured by first 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 loan is interest bearing, although 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 2000.				
Loans to directors, including directors of controlled entities, 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 2000.				
Amounts owing by associates are non-interest bearing and are required to be paid within 30 days of the date of recognition.				
<i>Credit risk</i>				
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.				
Note 9 - Inventories (current)				
(a) Stocks and materials				
Raw materials and stores - at cost	<u>7.7</u>	<u>7.6</u>	<u>0.0</u>	<u>0.0</u>
Work in progress - at cost	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>
Finished goods - at cost	<u>4.7</u>	<u>3.8</u>	<u>0.0</u>	<u>0.0</u>
Less provision to reduce carrying values to net realisable values	<u>0.6</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>
	<u>4.1</u>	<u>3.7</u>	<u>0.0</u>	<u>0.0</u>
	<u>11.8</u>	<u>11.5</u>	<u>0.0</u>	<u>0.0</u>
(b) Properties held for development and sale				
Acquisition costs	<u>29.2</u>	<u>32.2</u>	<u>0.0</u>	<u>0.0</u>
Development costs	<u>0.7</u>	<u>2.6</u>	<u>0.0</u>	<u>0.0</u>
Other costs capitalised	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>
	<u>29.9</u>	<u>34.9</u>	<u>0.0</u>	<u>0.0</u>
Less provision to reduce carrying values to net realisable values	<u>14.2</u>	<u>16.6</u>	<u>0.0</u>	<u>0.0</u>
	<u>15.7</u>	<u>18.3</u>	<u>0.0</u>	<u>0.0</u>
	<u>27.5</u>	<u>29.8</u>	<u>0.0</u>	<u>0.0</u>
<i>Valuations</i>				
Properties held for development and sale were valued at \$17.4 million at 30 June 1999. 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 1999.				
Aggregate carrying amount of inventories, including non-current inventories (Note 14)	<u>29.9</u>	<u>32.2</u>	<u>0.0</u>	<u>0.0</u>
Note 10 - Investments (current)				
Inscribed stock - quoted on stock exchange				
At cost	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Note 11 - Property, plant and equipment (current)				
Surplus properties held for sale - freehold				
At directors' valuation 1998	<u>2.2</u>	<u>2.3</u>	<u>0.0</u>	<u>0.0</u>
At directors' valuation 1996	<u>8.6</u>	<u>8.4</u>	<u>8.6</u>	<u>8.4</u>
	<u>10.8</u>	<u>10.7</u>	<u>8.6</u>	<u>8.4</u>

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 11 - Property, plant and equipment (current) (continued)				
<i>Valuations</i>				
Surplus properties held for sale were valued at \$23.9 million at 30 June 1999. The valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs. The carrying values of the properties were not restated at 30 June 1999.				
Note 12 - Other current assets				
Research and development expenditure				
At cost	3.3	3.3	0.0	0.0
Less provision for diminution in value	<u>2.3</u>	<u>2.3</u>	<u>0.0</u>	<u>0.0</u>
	1.0	1.0	0.0	0.0
Prepayments	<u>7.9</u>	<u>6.7</u>	<u>1.5</u>	<u>1.0</u>
	<u><u>8.9</u></u>	<u><u>7.7</u></u>	<u><u>1.5</u></u>	<u><u>1.0</u></u>
Note 13 - Receivables (non-current)				
Debtors	<u>0.6</u>	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>
Loans receivable (unsecured)	<u>0.3</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>
Loans receivable (secured)				
At directors' valuation 1993	3.5	3.5	0.0	0.0
At cost	<u>7.0</u>	<u>5.9</u>	<u>7.0</u>	<u>5.9</u>
	<u>10.5</u>	<u>9.4</u>	<u>7.0</u>	<u>5.9</u>
Loans to directors engaged in full time employment within the economic entity (secured)	<u>6.1</u> +	<u>5.8</u> *	<u>6.1</u> +	<u>5.8</u> *
Amounts owing by wholly-owned controlled entities	<u>0.0</u>	<u>0.0</u>	<u>2,397.6</u>	<u>1,830.7</u>
Amounts owing by:				
Partly-owned controlled entities	0.0	0.0	9.3	9.1
Associates	<u>46.3</u>	<u>32.5</u>	<u>0.0</u>	<u>0.0</u>
	<u>46.3</u>	<u>32.5</u>	<u>9.3</u>	<u>9.1</u>
	<u><u>63.8</u></u>	<u><u>48.7</u></u>	<u><u>2,420.0</u></u>	<u><u>1,851.5</u></u>

+ To nearest thousand dollars, \$6,082,000.

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

Valuations

A loan receivable (secured) was revalued to recoverable amount by directors on 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 2008.

Loans to directors, including directors of controlled entities, 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 2008. 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.

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 14 - Inventories (non-current)				
Property held for development and sale				
Acquisition costs	1.5	1.5	0.0	0.0
Development costs	1.8	1.8	0.0	0.0
Other costs capitalised	0.7	0.7	0.0	0.0
	<u>4.0</u>	<u>4.0</u>	<u>0.0</u>	<u>0.0</u>
Less provision to reduce carrying value to net realisable value	1.6	1.6	0.0	0.0
	<u>2.4</u>	<u>2.4</u>	<u>0.0</u>	<u>0.0</u>

Valuation

The property held for development and sale was valued at \$2.6 million at 30 June 1999. The valuation was determined by directors, after receipt of an independent valuation from licensed real estate valuers, and is based on the estimated realisable value of the property in an open market. The carrying value of the property was not restated at 30 June 1999.

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	137.6
	<u>0.0</u>	<u>0.0</u>	<u>149.1</u>	<u>149.1</u>
At cost	0.0	0.0	355.3	312.1
	<u>0.0</u>	<u>0.0</u>	<u>504.4</u>	<u>461.2</u>

Associate - quoted on stock exchange

At equity accounted carrying amount	175.7	143.7	0.0	0.0
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Associates - not quoted on stock exchange

At equity accounted carrying amounts	306.5	174.7	0.0	0.0
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Unrelated entity - quoted on stock exchange

At cost	50.2	0.0	0.0	0.0
	<u>532.4</u>	<u>318.4</u>	<u>504.4</u>	<u>461.2</u>

(b) Interest in partnership

At cost plus share of undistributed profits	34.9	0.0	0.0	0.0
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(c) Inscribed stock - quoted on stock exchange

At cost	0.0	0.1	0.0	0.0
	<u>567.3</u>	<u>318.5</u>	<u>504.4</u>	<u>461.2</u>

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.

Shares in unrelated entity

At 30 June 1999, the economic entity had a 9.8% ownership interest in TrustPower Limited, a New Zealand electricity generator and retailer.

Interest in partnership

The economic entity has a 15% interest in the Southern Cross Energy partnership, the principal activity of which is power generation.

Note 16 - Property, plant and equipment (non-current)

(a) Land and buildings

Freehold

At directors' valuation 1998	1.0	1.0	0.0	0.0
At directors' valuation 1997	7.4	7.5	1.5	1.5
	<u>8.4</u>	<u>8.5</u>	<u>1.5</u>	<u>1.5</u>
Less provision for depreciation	0.2	0.1	0.0	0.0
	<u>8.2</u>	<u>8.4</u>	<u>1.5</u>	<u>1.5</u>

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 16 - Property, plant and equipment (non-current) (continued)				
At cost	25.2	23.3	0.0	0.0
Less provision for depreciation	0.8	0.6	0.0	0.0
	<u>24.4</u>	<u>22.7</u>	<u>0.0</u>	<u>0.0</u>
	<u>32.6</u>	<u>31.1</u>	<u>1.5</u>	<u>1.5</u>
Leasehold				
At directors' valuation 1998	0.6	0.6	0.0	0.0
At directors' valuation 1997	1.1	1.0	0.0	0.0
	<u>1.7</u>	<u>1.6</u>	<u>0.0</u>	<u>0.0</u>
Less provision for depreciation	0.1	0.0	0.0	0.0
	<u>1.6</u>	<u>1.6</u>	<u>0.0</u>	<u>0.0</u>
	<u>34.2</u>	<u>32.7</u>	<u>1.5</u>	<u>1.5</u>

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 1999. These valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs. The carrying values of the properties were not restated at 30 June 1999.

(b) Surplus properties held for sale

Freehold

At directors' valuation 1998	0.5	0.5	0.0	0.0
At directors' valuation 1997	3.5	3.6	0.0	0.0
At directors' valuation 1996	29.4	29.7	29.4	29.7
	<u>33.4</u>	<u>33.8</u>	<u>29.4</u>	<u>29.7</u>
Less provision for depreciation	0.1	0.1	0.0	0.0
	<u>33.3</u>	<u>33.7</u>	<u>29.4</u>	<u>29.7</u>
At cost	0.7	0.1	0.7	0.1
	<u>34.0</u>	<u>33.8</u>	<u>30.1</u>	<u>29.8</u>

Leasehold

At directors' valuation 1997	0.7	0.7	0.0	0.0
	<u>34.7</u>	<u>34.5</u>	<u>30.1</u>	<u>29.8</u>

Valuations (refer Note 2(f))

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 \$121.7 million at 30 June 1999. 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 the utilisation of part of the former gas customers' reserve account - refer Note 2(p)). The carrying values of the properties were not restated at 30 June 1999.

No capital gains tax would have been payable if the properties had been sold at 30 June 1999 for amounts equivalent to either their carrying values or the directors' valuations at that date (1998 \$nil).

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 16 - Property, plant and equipment (non-current) (continued)				
(c) Plant and equipment				
Purchased assets				
At directors' valuation 1999	1.7	0.0	0.0	0.0
At directors' valuation 1998	2.0	4.8	0.0	0.0
At directors' valuation 1992	48.1	48.1	0.0	0.0
At directors' valuation 1986	<u>123.1</u>	<u>123.3</u>	<u>0.0</u>	<u>0.0</u>
	174.9	176.2	0.0	0.0
Less provision for depreciation	<u>61.2</u>	<u>55.9</u>	<u>0.0</u>	<u>0.0</u>
	113.7	120.3	0.0	0.0
At cost	1,976.2	1,592.9	7.7	6.6
Less: provision for depreciation	433.6	349.9	3.1	3.0
provision for diminution in value	<u>2.4</u>	<u>5.5</u>	<u>0.0</u>	<u>0.0</u>
	<u>1,540.2</u>	<u>1,237.5</u>	<u>4.6</u>	<u>3.6</u>
	<u>1,653.9</u>	<u>1,357.8</u>	<u>4.6</u>	<u>3.6</u>
Capitalised leased assets				
At assessed value	1.1	89.5	0.0	0.0
Less provision for depreciation	<u>0.5</u>	<u>22.7</u>	<u>0.0</u>	<u>0.0</u>
	<u>0.6</u>	<u>66.8</u>	<u>0.0</u>	<u>0.0</u>
	<u>1,654.5</u>	<u>1,424.6</u>	<u>4.6</u>	<u>3.6</u>

Valuations (refer Note 2(f))

A gas distribution system was revalued to recoverable amount by directors on 30 June 1999 (previously revalued on 31 December 1997).

A lateral pipeline was 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.

<u>1,723.4</u>	<u>1,491.8</u>	<u>36.2</u>	<u>34.9</u>
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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.

Note 17 - Intangibles

Goodwill

At cost 84.7 84.7 0.0 0.0

Less provision for amortisation 10.4 6.1 0.0 0.0

74.3 78.6 0.0 0.0

Licences

At cost 527.0 527.0 0.0 0.0

601.3 605.6 0.0 0.0

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 18 - Deferred expenditure				
Gas industry expenses - at cost				
Customer connection	162.5	134.8	0.0	0.0
Natural gas conversion	71.5	71.1	0.0	0.0
Other	10.8	10.2	0.0	0.0
	<u>244.8</u>	<u>216.1</u>	<u>0.0</u>	<u>0.0</u>
Less provision for amortisation	105.8	89.6	0.0	0.0
	<u>139.0</u>	<u>126.5</u>	<u>0.0</u>	<u>0.0</u>
Other expenses - at cost				
Borrowing	11.4	9.4	11.3	9.4
Computer software	99.3	45.2	3.2	9.4
Other	6.8	0.9	0.3	0.1
	<u>117.5</u>	<u>55.5</u>	<u>14.8</u>	<u>18.9</u>
Less provision for amortisation	23.3	19.0	2.4	1.0
	<u>94.2</u>	<u>36.5</u>	<u>12.4</u>	<u>17.9</u>
	<u>233.2</u>	<u>163.0</u>	<u>12.4</u>	<u>17.9</u>
Note 19 - Other non-current assets				
Right to receive net pipeline tariffs	15.7	15.7	0.0	0.0
Less provision for amortisation	6.9	6.2	0.0	0.0
	<u>8.8</u>	<u>9.5</u>	<u>0.0</u>	<u>0.0</u>
Future income tax benefits *	44.1	31.0	5.7	4.0
Sundry gas and electricity assets	7.8	6.2	0.0	0.0
	<u>60.7</u>	<u>46.7</u>	<u>5.7</u>	<u>4.0</u>
* Includes future income tax benefits attributable to tax losses carried forward as an asset	0.7	0.7	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	54.4	53.9	2.8	6.3
	<u>54.4</u>	<u>53.9</u>	<u>2.8</u>	<u>6.3</u>
Note 20 - Accounts payable (current)				
Creditors	207.1	146.9	46.1	42.3
Consumer deposits and interest	0.6	2.1	0.0	0.0
Amounts owing to:				
Wholly-owned controlled entities	0.0	0.0	0.1	3.9
Associates	8.1	8.3	0.0	0.0
	<u>215.8</u>	<u>157.3</u>	<u>46.2</u>	<u>46.2</u>

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).

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 21 - Borrowings (current)				
Secured				
Bank borrowings	0.2	0.4	0.0	0.0
Debentures	0.0	0.6	0.0	0.9
Subject to negative pledge				
Bank borrowings	50.0	0.0	50.0	0.0
Unsecured				
Bank overdrafts	0.6	3.7	0.3	1.4
Promissory notes	45.0	0.0	45.0	0.0
Other borrowings	0.0	6.3	0.0	6.3
Lease liabilities (Note 33)	0.3	4.7	0.0	0.0
	<u>96.1</u>	<u>15.7</u>	<u>95.3</u>	<u>8.6</u>

Significant terms and conditions

Bank borrowings (subject to negative pledge) are repayable on the expiration of the facility on 30 June 2000.

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

Promissory notes are payable on maturity. The maturity dates were between 15 and 19 July 1999.

Note 22 - Provisions (current)

Dividends	78.9	71.0	78.9	71.0
Taxation	5.9	36.8	4.0	0.5
Employee entitlements	17.5	19.3	2.8	3.1
Pipeline contract restructuring	1.3	1.3	0.0	0.0
Property rental guarantees	0.0	1.4	0.0	0.0
Environmental rehabilitation (Note 2(p))	9.4	17.8	0.1	0.0
Promotional initiatives (Note 2(p))	0.0	2.4	0.0	0.0
Other	1.9	4.3	0.0	0.0
	<u>114.9</u>	<u>154.3</u>	<u>85.8</u>	<u>74.6</u>

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))				
	22.6	18.3	0.0	0.0
Other unearned revenue	9.7	8.5	4.3	4.1
	<u>32.3</u>	<u>26.8</u>	<u>4.3</u>	<u>4.1</u>

Note 24 - Accounts payable (non-current)

Consumer deposits and interest	<u>19.1</u>	<u>22.3</u>	<u>0.0</u>	<u>0.0</u>
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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, and some gas deposits and accrued interest, are normally held by the economic entity for periods of either one or two years. Other 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.

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 25 - Borrowings (non-current)				
Secured				
Bank borrowings	1.7	1.9	0.0	0.0
Other borrowings	0.5	0.0	0.0	0.0
Subject to negative pledge				
Bank borrowings	230.0	100.0	230.0	100.0
Medium term notes	250.0	0.0	250.0	0.0
Senior notes and debentures	757.2	768.6	757.2	768.6
Other unsecured				
Other borrowings	0.0	0.1	0.0	0.0
Lease liabilities (Note 33)	0.5	0.5	0.0	0.0
Amounts owing to wholly-owned controlled entities	0.0	0.0	53.7	36.8
	<u>1,239.9</u>	<u>871.1</u>	<u>1,290.9</u>	<u>905.4</u>

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 January 2001 and partly in June 2006.

Bank borrowings (subject to negative pledge) are repayable on the expiration of the facilities. The expiry dates of the facilities are currently between January 2001 and January 2003.

Medium term notes are repayable on maturity in July 2004.

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.

Note 26 - Provisions (non-current)

Deferred income tax	290.1	227.4	8.1	10.6
Directors' retiring allowances	1.3	1.0	1.3	0.9
Employee entitlements	18.2	14.4	6.3	4.3
Pipeline contract restructuring	21.7	23.1	0.0	0.0
Property rental guarantees	1.6	2.0	0.0	0.0
Environmental rehabilitation (Note 2(p))	2.9	16.1	0.1	0.2
Promotional initiatives (Note 2(p))	9.5	7.1	0.0	0.0
Other	0.2	0.2	0.0	0.0
	<u>345.5</u>	<u>291.3</u>	<u>15.8</u>	<u>16.0</u>

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))				
	22.6	45.3	0.0	0.0
Other unearned revenue	5.5	5.4	0.0	0.0
	<u>28.1</u>	<u>50.7</u>	<u>0.0</u>	<u>0.0</u>

Note 28 - Share capital

328,805,759 (1998 322,652,034) ordinary shares	<u>1,064.1</u>	<u>322.7</u>	<u>1,063.7</u>	<u>322.7</u>
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During the year the Chief Entity issued:

(i) 2,622,898 shares at \$11.04 per share and 3,047,088 shares at \$10.66 per share pursuant to The Australian Gas Light Company Dividend Reinvestment Plan;

(ii) 40,500 shares at \$11.71 per share and 295,000 shares at \$11.24 per share pursuant to the AGL Share Loan Plan; and

(iii) 148,239 shares pursuant to the AGL Share Reward Plan.

As a result of amendments to the Corporations Law, effective 1 July 1998, the concept of par value shares has been abolished. Consequently, amounts standing to the credit of share premium reserve and capital redemption reserve at 1 July 1998 have become part of share capital.

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 29 - Reserves				
Share premium	0.0	675.7	0.0	675.7
Asset revaluation	29.8	32.5	1.7	1.7
Capital redemption	0.0	0.4	0.0	0.0
Foreign currency translation	(9.0)	(3.7)	0.0	0.0
Other	1.3	1.0	0.0	0.0
	<u>22.1</u>	<u>705.9</u>	<u>1.7</u>	<u>677.4</u>
<i>Movements in reserves</i>				
<i>Share premium</i>				
Balance at beginning of year	675.7	330.2	675.7	330.2
Premium arising on the issue of ordinary shares	0.0	350.2	0.0	350.2
Share issue expenses	0.0	(4.7)	0.0	(4.7)
Transfer to share capital (Note 28)	(675.7)	0.0	(675.7)	0.0
Balance at end of year	<u>0.0</u>	<u>675.7</u>	<u>0.0</u>	<u>675.7</u>
<i>Asset revaluation</i>				
Balance at beginning of year	32.5	0.0	1.7	1.7
Adjustment resulting from a change in accounting policy (Note 2(w))	0.0	33.3	0.0	0.0
Share of movements in associates' reserves	(2.7)	(0.8)	0.0	0.0
Balance at end of year	<u>29.8</u>	<u>32.5</u>	<u>1.7</u>	<u>1.7</u>
<i>Capital redemption</i>				
Balance at beginning of year	0.4	0.4	0.0	0.0
Transfer to share capital (Note 28)	(0.4)	0.0	0.0	0.0
Balance at end of year	<u>0.0</u>	<u>0.4</u>	<u>0.0</u>	<u>0.0</u>
<i>Foreign currency translation</i>				
Balance at beginning of year	(3.7)	(0.1)	0.0	0.0
Net exchange gain(loss) arising on translation of foreign currency net assets	(8.6)	(8.3)	0.0	0.0
Net gain(loss) arising on hedging of foreign currency investment	3.3	4.7	0.0	0.0
Balance at end of year	<u>(9.0)</u>	<u>(3.7)</u>	<u>0.0</u>	<u>0.0</u>
<i>Other</i>				
Balance at beginning of year	1.0	0.0	0.0	0.0
Adjustment resulting from a change in accounting policy (Note 2(w))	0.0	1.0	0.0	0.0
Share of movements in associates' reserves	0.3	0.0	0.0	0.0
Balance at end of year	<u>1.3</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>
Note 30 - Outside equity interests in controlled entities				
Share capital	0.5	0.5	0.0	0.0
Accumulated losses	(0.3)	(0.3)	0.0	0.0
	<u>0.2</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>
Note 31 - Construction contracts in progress				
Aggregate of contract costs incurred and recognised profits (less recognised losses) to date	34.8	0.0	0.0	0.0
Less aggregate of consideration received and receivable as progress billings (including retentions) and advances received	(34.9)	0.0	0.0	0.0
Advances received	0.1	0.0	0.0	0.0
	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Amounts due from customers for contract work	6.0	0.0	0.0	0.0
Less amounts due to customers for contract work	0.1	0.0	0.0	0.0
	<u>5.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 32 - Capital commitments				
Expenditure contracted for at balance date not reflected in the financial statements				
Capital expenditure in respect of :				
Information technology projects	0.9	9.5	0.0	0.7
Property, plant and equipment	27.2	15.9	0.1	0.0
Payable not later than one year	<u>28.1</u>	<u>25.4</u>	<u>0.1</u>	<u>0.7</u>
Note 33 - Lease commitments				
Finance leases				
Estimated lease commitments				
Due within 1 year	0.3	4.9	0.0	0.0
Due between 1 and 2 years	0.3	0.2	0.0	0.0
Due between 2 and 5 years	0.3	0.4	0.0	0.0
	<u>0.9</u>	5.5	<u>0.0</u>	0.0
Less future finance charges	0.1	0.3	0.0	0.0
Present value of lease payments	0.8	5.2	0.0	0.0
Less due within 1 year (Note 21)	0.3	4.7	0.0	0.0
Non-current liability (Note 25)	<u>0.5</u>	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>
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	17.6	23.3	0.0	0.0
Due between 1 and 2 years	17.6	16.8	0.0	0.0
Due between 2 and 5 years	52.8	50.5	0.0	0.0
Due after 5 years	181.0	192.4	0.0	0.0
	<u>269.0</u>	<u>283.0</u>	<u>0.0</u>	<u>0.0</u>
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	20.7	31.1	0.0	0.0
Due between 1 and 2 years	26.3	33.1	0.0	0.0
Due between 2 and 5 years	65.0	104.2	0.0	0.0
Due after 5 years	4.1	25.2	0.0	0.0
	<u>116.1</u>	<u>193.6</u>	<u>0.0</u>	<u>0.0</u>
<i>Other</i>				
Due within 1 year	11.9	10.8	4.6	5.4
Due between 1 and 2 years	9.6	6.3	3.6	2.0
Due between 2 and 5 years	24.0	8.4	10.9	0.0
Due after 5 years	13.4	10.8	5.2	0.0
	<u>58.9</u>	<u>36.3</u>	<u>24.3</u>	<u>7.4</u>
	<u>444.0</u>	<u>512.9</u>	<u>24.3</u>	<u>7.4</u>

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 34 - Contingent liabilities				
Bank guarantees in respect of the economic entity	35.4	35.5	0.4	0.4
Guarantees in respect of associates	1.0	1.8	1.0	1.8
	<u>36.4</u>	<u>37.3</u>	<u>1.4</u>	<u>2.2</u>

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 auditors				
Remuneration of the auditor of the Chief Entity for:				
Auditing and reviewing the financial report	514	375	75	66
Other services	516	335	38	300
Remuneration of the auditor of a controlled entity for auditing and reviewing the financial report				
	0	90	0	0

Note 36 - 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	1,742	1,630	1,742	1,630
Superannuation and retirement benefits	248	203	248	203

Controlled entities*

Income other than superannuation and retirement benefits	2,006	2,617	0	0
Superannuation and retirement benefits	283	301	0	0
	<u>4,279</u>	<u>4,751</u>	<u>1,990</u>	<u>1,833</u>

* 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, including superannuation and retirement benefits, was within the following bands

\$000	1999	1998
50 - 60	0	2
60 - 70	3	3
70 - 80	2	0
90 - 100	0	1
100 - 110	1	0
130 - 140	0	1
170 - 180	1	0
1,290 - 1,300	0	1
1,360 - 1,370	1	0

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000

Note 36 - Remuneration of directors and executive officers (continued)

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	15,131	13,146	7,461	5,706
Superannuation, retirement and termination benefits	<u>2,233</u>	<u>3,791</u>	<u>1,138</u>	<u>2,488</u>
	<u>17,364</u>	<u>16,937</u>	<u>8,599</u>	<u>8,194</u>

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

	Consolidated		Chief Entity	
	\$000	1999	1998	1999
110 - 120	1	1	0	0
120 - 130	0	1	0	0
130 - 140	1	0	1	0
140 - 150	1	1	0	0
150 - 160	4	3	1	1
160 - 170	4	7	0	3
170 - 180	10	4	3	1
180 - 190	10	9	1	2
190 - 200	8	9	5	2
200 - 210	3	4	1	1
210 - 220	5	2	1	1
220 - 230	2	1	0	0
230 - 240	4	0	3	0
240 - 250	1	0	1	0
250 - 260	1	3	0	1
260 - 270	1	0	0	0
290 - 300	0	1	0	0
300 - 310	0	1	0	0
320 - 330	1	2	0	1
330 - 340	1	1	1	1
340 - 350	0	2	0	1
350 - 360	2	2	2	2
360 - 370	3	2	1	0
370 - 380	2	0	1	0
390 - 400	1	0	1	0
480 - 490	1	0	1	0
550 - 560	1	1	1	1
640 - 650	0	1	0	0
670 - 680	0	1	0	1
680 - 690	1	0	1	0
1,290 - 1,300	0	1	0	1
1,360 - 1,370	1	0	1	0
1,710 - 1,720 *	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
	<u>70</u>	<u>61</u>	<u>27</u>	<u>21</u>

* Principally related 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.

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Note 37 - Controlled entities

Entity	Country of incorporation or formation	Chief Entity's beneficial interest in shares / units	
		1999	1998
		%	%
Agex Pty Ltd	Australia	100	100
AGL (Cawse) Power Pty Limited (b)	Australia	100	0
AGL Chile Operations SA (a)	Chile	100	100
AGL Consultancy Pty Ltd	Australia	100	100
AGL Electricity Limited (c)	Australia	100	100
AGL Electricity (Vic) Pty Limited	Australia	100	100
AGL Energy Sales & Marketing Limited	Australia	100	100
AGL Engineering Services Pty Limited	Australia	100	100
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 Gas (Vic) No 1 Pty Limited (b)	Australia	100	0
AGL Gas (Vic) No 2 Pty Limited (b)	Australia	100	0
AGL Gas (Vic) No 3 Pty Limited (b)	Australia	100	0
AGL Gas (Vic) No 4 Pty Limited (b)	Australia	100	0
AGL Gas (Vic) No 5 Pty Limited (b)	Australia	100	0
AGL International (a)	Cayman Islands	100	100
AGL Investments Pty Limited	Australia	100	100
AGL NZ Employment Services Limited	New Zealand	100	100
AGL NZ Energy Limited (b)	New Zealand	100	0
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	Australia	100	100
AGL Pipelines Investments (WA) Pty Limited (formerly AGL Southern Cross (No 10) Pty Limited)	Australia	100	100
AGL Pipelines Limited	Australia	100	100
AGL Pipelines Management Pty Ltd	Australia	100	100
AGL Pipelines (NSW) Pty Limited	Australia	100	100
AGL Pipelines (NT) Pty Limited	Australia	100	100
AGL Pipelines (Qld) Pty Limited	Australia	100	100
AGL Pipelines (WA) Pty Limited	Australia	100	100
AGL Polska Sp z O O (b)	Poland	100	0
AGL Power Generation (Mid West) Pty Limited (b)	Australia	100	0
AGL Power Generation Pty Limited	Australia	100	100
AGL Power Generation (WA) Pty Limited (b)	Australia	100	0
AGL Retail Energy Limited	Australia	100	100
AGL Wholesale Energy Limited	Australia	100	100
AGL Wholesale Gas Limited	Australia	100	100
Amadeus Gas Trust	Australia	96	96

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Note 37 - Controlled entities (continued)

Entity	Country of incorporation or formation	Chief Entity's beneficial interest in shares / units	
		1999	1998
		%	%
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)	Chile	100	100
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
Sopic Pty Ltd	Australia	100	100
Terrace Gardens Properties Pty Limited	Australia	100	100
The North Shore Gas Company Limited	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 or a related firm.

(b) Incorporated during the financial year.

(c) Acquired during the 1997/98 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).

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Note 38 - Material Interests in unincorporated joint ventures

Joint venture	Interest of economic entity		Principal activity
	1999	1998	
	%	%	
Carpentaria pipeline	70	70	Gas pipeline operation - Queensland
Mid West energy	50	0	Power generation - Western Australia (under construction)
Mid West pipeline	50	0	Gas pipeline operation - Western Australia (under construction)
Roma to Brisbane pipeline	85	85	Gas pipeline operation - Queensland

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	
	1999	1998
	\$m	\$m
Current assets		
Receivables	0.3	1.5
Other	0.1	0.8
Total current assets	0.4	2.3
Non-current assets		
Property, plant and equipment	184.1	158.4
Total non-current assets	184.1	158.4
Total assets	184.5	160.7
Current liabilities		
Accounts payable	7.2	2.4
Total current liabilities	7.2	2.4
Total liabilities	7.2	2.4
Net investment in joint ventures	177.3	158.3
Economic entity's share of capital expenditure commitments of joint ventures (included in Note 32)	5.2	0.1

Note 39 - Employee entitlements

Superannuation plans

Details of defined benefit plans sponsored by the Chief Entity and other entities in the economic entity

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	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	94.1	80.8	13.3	80.7
AGL Superannuation and Benefits Fund (c)	30 June 1996	40.9	31.5	9.4	28.0
AGL Executive Superannuation Fund (d)	30 June 1997	3.1	1.8	1.3	1.7
Equipsuper Fund (formerly the Victorian Energy Industry Superannuation Fund)	31 December 1998	<u>38.3</u>	<u>32.6</u>	<u>5.7</u>	<u>32.6</u>
		<u>176.4</u>	<u>146.7</u>	<u>29.7</u>	<u>143.0</u>

(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 1998 the plan assets were \$144.4 million and the vested benefits were \$114.5 million.

(d) At 30 June 1998 the plan assets were \$2.2 million and the vested benefits were \$1.9 million.

Contributions by employer entities in the economic entity to defined benefit superannuation plans during the year amounted to \$8.7 million (1998 \$10.6 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. Further issues of shares were made to eligible employees in April and November 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. The decision to make further 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 343,242 ordinary shares of the Chief Entity has been issued to employees pursuant to the plan between the date of its inception and 30 June 1999, including 148,239 shares issued during the 1998/99 financial year. The total market value of these 148,239 shares at the issue date was \$1,754,000 and the total amount receivable from employees for the shares was \$nil.

The nominal value of the shares issued pursuant to the plan (\$343,000) has been recognised as an expense in the relevant 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 two issues of shares have been made to employees, in November 1997 and November 1998. There is no current invitation for employees to acquire additional shares. The issues of fully paid shares pursuant to the plan have been made on the basis of -

- * an optional discount of 1% or 5% 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.

At 30 June 1999 there were 65 participants in the plan involving a total of 696,400 ordinary shares of the Chief Entity. A total of 706,000 ordinary shares of the Chief Entity has been acquired by employees pursuant to the plan between the date of its inception and 30 June 1999, including 335,500 shares acquired during the 1998/99 financial year. The total market value of these 335,500 shares at the issue date was \$3,969,000 and the total amount receivable from employees for these shares was \$3,789,000. Outstanding loans to participants at 30 June 1999 amounted to \$6,780,000 (1998 \$3,283,000).

Note 39 - Employee entitlements (continued)

(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

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* there is a restriction on dealing in the shares for a period of up to ten years from the issue date, with the holding statements being held by the trustee of the plan until the shares are free from restriction.

At 30 June 1999, there were 67 participants in the plan involving a total of 86,172 ordinary shares of the Chief Entity. There is an ongoing invitation for directors and employees to acquire additional shares. A total of 88,886 ordinary shares of the Chief Entity has been acquired by directors and employees pursuant to the plan between the date of its inception and 30 June 1999, including 70,319 shares acquired during the 1998/99 financial year. The total market value of these 70,319 shares at the acquisition dates was \$808,000 and the total amount received from directors and employees for these shares was \$808,000.

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.

(d) Prior to the 1997/98 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 1999 there were 440 participants in the plan involving a total of 88,011 ordinary shares of the Chief Entity. Outstanding loans to participants at 30 June 1999 amounted to \$72,000 (1998 \$253,000).

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 1999 there were 46 participants in the plan involving a total of 2,238,600 ordinary shares of the Chief Entity. Outstanding loans to participants at 30 June 1999 amounted to \$7,526,000 (1998 \$9,547,000).

	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Aggregate employee entitlement liability	<u><u>36.1</u></u>	<u>34.6</u>	<u><u>9.0</u></u>	<u>7.5</u>

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

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Note 40 - Major 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
		1999	1998	1999	1998	
		%	%	\$m	\$m	
Auscom Holdings Pty Limited	Distribution and sale of LPG	50.0	50.0	42.1	41.9	31 December 1998
Changchun Chinaust Automotive Spare Parts Corporation Limited	Manufacture and sale of nylon tubing	42.5	45.0	0.9	0.8	31 December 1998
Chinaust Plastics Corporation Limited	Manufacture and sale of plastic and nylon tubing and pipes	50.0	50.0	6.4	5.4	31 December 1998
East Australian Pipeline Limited (i)	Transmission of natural gas and ethane	51.0	51.0	98.3	97.5	30 June 1999
Empresa de Gas de la V Region SA	Distribution and sale of natural gas	50.0	50.0	40.6	25.7	31 December 1998
Inversiones Plasticas SA	Manufacture and sale of plastic and nylon pipes	50.0	50.0	2.5	2.3	31 December 1998
Natural Gas Corporation Holdings Limited	Transmission, distribution and sale of natural gas	38.3	33.3	175.7	143.7	30 June 1999
SCP Investments (No 1) Pty Limited	Transmission of natural gas	45.0	0.0	113.7	0.0	30 June 1999
Shanghai Chinaust Plastics Corporation Limited	Manufacture and sale of plastic and nylon tubing and pipes	50.0	50.0	2.0	1.1	31 December 1998
				482.2	318.4	

Summarised assets, liabilities and profits of associates

Names of associates	Assets		Liabilities		Profits after tax	
	1999	1998	1999	1998	1999	1998
	\$m	\$m	\$m	\$m	\$m	\$m
Auscom Holdings Pty Limited	371.4	319.7	287.0	235.9	13.8	11.5
East Australian Pipeline Limited	495.9	514.0	316.5	334.6	35.1	30.1
Empresa de Gas de la V Region SA	111.6	87.6	56.3	55.8	(2.6)	(0.2)
Natural Gas Corporation Holdings Limited	804.8	973.2	362.9	555.4	49.3	45.8
SCP Investments (No 1) Pty Limited	575.8	0.0	326.7	0.0	10.2	0.0
Other	52.8	54.3	26.6	31.3	5.4	4.1
	2,412.3	1,948.8	1,376.0	1,213.0	111.2	91.3

(i) Refer Note 37.

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Note 40 - Major associates (continued)

	Consolidated	
	1999	1998
	\$m	\$m
<i>Economic entity's share of associates':</i>		
Operating profits before tax	72.2	68.5
Income tax expense attributable to operating profits	(25.0)	(27.1)
Outside equity interests	0.0	(0.1)
Profits after tax	<u>47.2</u>	<u>41.3</u>
Capital commitments contracted for	19.7	30.6
Other expenditure commitments contracted for	<u>19.7</u>	<u>19.7</u>
<i>Retained profits and reserves of the economic entity attributable to associates</i>		
At beginning of financial year (1998 - on adoption of equity accounting on 1 July 1997)		
Retained profits	47.9	25.7
Reserves	33.5	34.3
At end of financial year		
Retained profits	58.0	47.9
Reserves	<u>31.2</u>	<u>33.5</u>
<i>Movements in the carrying amount of investments in associates</i>		
At beginning of financial year	318.4	410.5
Adjustments on adoption of equity accounting	0.0	60.0
Additional investments in associates	159.2	28.6
Partial disposal of investment in an associate	0.0	(46.4)
Share of profits of associates	47.2	41.3
Dividends received from associates	(37.0)	(16.7)
Share of movements in reserves of associates	(2.3)	(0.8)
Movements due to changes in foreign currency exchange rates	(3.3)	(3.4)
Adjustment on associate becoming a controlled entity	0.0	(154.7)
At end of financial year	<u>482.2</u>	<u>318.4</u>

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 deprivel 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. Subsequent to 30 June 1997, 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.

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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
	1999	1998	1999	1998	
	\$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					PL Beeren, LF Bleasel, PD Bolding, RS Clare, JA Cooper, LJ Fisk, JA Fletcher, MA Fraser, SG Hattersley, GW Hollings, GJW Martin, JK McDonald, SP Ohl, JG Pullar, KE Windybank and IC Woodward.
Aggregate loans advanced	2,521	1,413	2,521	1,413	
Aggregate loan repayments received	1,008	577	1,008	577	
Interest-free loans pursuant to The AGL Employee Share Plan, repayable monthly over 3 years					The directors listed above (excluding PL Beeren, LF Bleasel, SG Hattersley, SP Ohl, JG Pullar and IC Woodward) and BN Miller.
Aggregate loans advanced	0	0	0	0	
Aggregate loan repayments received	5	12	5	12	

(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	
	1999	1998
	000	000
Aggregate number acquired during the year (i)	46	15
Aggregate number disposed of during the year (i)	0	0
Aggregate number held as at the end of the year	818	772

(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.

Note 41 - Additional related party disclosures (continued)

Transactions with associates

	1999	1998
	\$m	\$m

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East Australian Pipeline Limited	A controlled entity was provided with natural gas transportation services by East Australian Pipeline Limited, on arm's length terms and conditions	94.9	91.2
	Controlled entities provided technical and management services to East Australian Pipeline Limited, on normal commercial terms and conditions	2.1	1.3
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	7.5	6.7
Empresa de Gas de la V Region SA	A controlled entity provided loan funds to Empresa de Gas de la V Region SA, net of repayments, on normal commercial terms and conditions	19.8	0.0
	A controlled entity subscribed for shares in Empresa de Gas de la V Region SA, on arm's length terms and conditions	16.2	0.0
Natural Gas Corporation Limited	The Chief Entity and a controlled entity 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	1.2	1.3
SCP Investments (No 1) Pty Limited	A controlled entity subscribed for ordinary shares in SCP Investments (No 1) Pty Limited, on arm's length terms and conditions (net of share buy-back)	109.1	0.0

In addition, a partly-owned controlled entity provided management and related services amounting to \$9.3 million (1998 \$9.2 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

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	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Note 42 - Cash flow information				
(a) Reconciliation of cash				
Cash	20.0	5.8	14.4	0.3
Bank overdrafts	(0.6)	(3.7)	(0.3)	(1.4)
Money market borrowings	0.0	(6.3)	0.0	(6.3)
	<u>19.4</u>	<u>(4.2)</u>	<u>14.1</u>	<u>(7.4)</u>
(b) Financing facilities				
Credit standby arrangements				
Amounts used	280.0	100.0	280.0	100.0
Amounts unused	445.0	650.0	445.0	650.0
	<u>725.0</u>	<u>750.0</u>	<u>725.0</u>	<u>750.0</u>
Other financing arrangements - amounts used	<u>1,055.4</u>	<u>776.8</u>	<u>1,052.2</u>	<u>769.5</u>
Credit standby arrangements had the following maturity pattern and were able to be drawn down without restriction.				
Not later than 1 year	100.0	150.0	100.0	150.0
Later than 1, not later than 2 years	425.0	100.0	425.0	100.0
Later than 2, not later than 5 years	<u>200.0</u>	<u>500.0</u>	<u>200.0</u>	<u>500.0</u>
The majority of these facilities may be extended by mutual agreement and all are committed by major banks. Other financing arrangements include promissory notes, medium term notes, senior notes and debentures, 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 1999.				
(d) Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	221.4	196.5	201.4	170.9
Equity share of associates' profits	(47.2)	(41.3)	0.0	0.0
Dividends received from associates	39.2	28.0	0.0	0.0
Depreciation, amortisation and diminution in value of assets	113.8	95.8	2.3	1.3
(Decrease) increase in provisions	(3.9)	5.6	2.0	0.8
Profit on sale of property, plant and equipment	(0.2)	(6.2)	0.0	0.0
Profit on disposal of investments	(0.1)	(11.7)	0.0	(10.2)
Other non-cash items included in operating profit	(2.7)	0.3	0.0	0.0
Changes in assets and liabilities				
(Increase) decrease in receivables	(45.4)	(77.4)	15.6	(2.5)
Decrease in inventories	1.2	1.8	0.0	0.0
(Increase) decrease in other assets	(3.5)	42.0	(0.7)	(7.7)
Increase (decrease) in creditors	34.6	4.1	(2.6)	(2.4)
Increase (decrease) in other liabilities	(19.3)	(9.1)	0.2	4.1
(Increase) decrease in interest receivable accrued	4.5	(2.5)	2.0	0.4
Increase in net interest payable accrued/prepaid	2.8	11.4	0.9	6.1
Increase in income taxes payable	2.0	27.1	0.9	1.3
Net cash provided by operating activities	<u>297.2</u>	<u>264.4</u>	<u>222.0</u>	<u>162.1</u>

	Consolidated		Chief Entity	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m

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(e) Entity acquired by the economic entity (refer Note 37)

Cash consideration	<u>0.0</u>	<u>225.6</u>	<u>0.0</u>	<u>0.0</u>
Fair value of net assets of entity acquired				
Cash	0.0	2.7	0.0	0.0
Receivables	0.0	51.1	0.0	0.0
Investments	0.0	10.7	0.0	0.0
Property, plant and equipment	0.0	439.8	0.0	0.0
Intangibles	0.0	527.0	0.0	0.0
Future income tax benefits	0.0	5.1	0.0	0.0
Other assets	0.0	10.5	0.0	0.0
Accounts payable	0.0	(50.9)	0.0	0.0
Borrowings	0.0	(644.7)	0.0	0.0
Provisions	0.0	(47.7)	0.0	0.0
	<u>0.0</u>	<u>303.6</u>	<u>0.0</u>	<u>0.0</u>
Proportion of net assets acquired	0.0	151.8	0.0	0.0
Goodwill on acquisition	0.0	73.8	0.0	0.0
	<u>0.0</u>	<u>225.6</u>	<u>0.0</u>	<u>0.0</u>
Outflow of cash to acquire entity, net of cash balances acquired				
Cash consideration	0.0	225.6	0.0	0.0
Less cash balances acquired	0.0	2.7	0.0	0.0
Outflow of cash	0.0	222.9	0.0	0.0

Note 43 - Economic dependency

(a) The economic entity is dependent to a significant extent 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.

Note 44 - Additional financial instruments disclosures (continued)

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.

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.

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	Average interest rates		Notional principal amounts	
	1999	1998	1999	1998
	%	%	\$m	\$m
Less than 1 year	7.9	7.8	65.0	65.0
1 to 2 years	5.3	7.9	160.0	65.0
2 to 5 years	7.5	8.2	811.6	555.0
Longer than 5 years	5.4	6.6	881.2	870.0
			1,917.8	1,555.0

The interest rate contracts in place at the reporting date principally relate to the economic entity's Australian dollar and US dollar fixed rate borrowings. These borrowings are the subject of a number of contracts resulting in the aggregate notional principal amount (\$1,917.8 million) exceeding the Australian dollar equivalent of the borrowings (\$1,007.2 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 twelve 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 1999 include an aggregate \$1.4 million (1998 \$1.0 million) due in foreign currencies (principally US dollars) 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.

	1999	1998
	\$m	\$m
Buy United States dollars		
Less than 6 months, at rates averaging US\$0.6661 (1998 US\$0.6352)	154.3	162.4
8 to 9 years, at rates averaging US\$0.6605	605.6	0.0
9 to 10 years, at rates averaging US\$0.6605	0.0	605.6
	759.9	768.0

The net deferred gain on hedges of foreign currency borrowings at 30 June 1999 of \$0.1 million (1998 \$0.5 million) will be recognised in the profit and loss statement within 6 months of the reporting date.

Hedges of foreign currency investments

The economic entity has foreign currency investments of both an equity and debt nature. It is the economic entity's policy to fully hedge the currency exposure on all material foreign investments, unless the investments are of an equity nature and are to be held indefinitely or hedging is impossible or impracticable due to regulatory controls or an inadequate or immature market in the relevant currencies.

However, in certain circumstances the Board may vary this policy.

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

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Note 44 - Additional financial instruments disclosures (continued)

	1999	1998
	\$m	\$m
Sell New Zealand dollars		
Less than 6 months, at rates averaging NZ\$1.2277	141.2	0.0
Sell United States dollars		
Less than 6 months, at rates averaging US\$0.6567	22.6	0.0
	163.8	0.0

The net deferred gain on hedges of foreign currency investments at 30 June 1999 of \$0.1 million (1998 \$nil) will be recognised in the profit and loss statement within 6 months of the reporting date.

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Loans receivable at 30 June 1999 include an aggregate \$8.8 million (1998 \$nil) due in a foreign currency (Chilean pesos) which has not been hedged.

(c) Electricity purchase risk management

Exposure to fluctuations in wholesale market electricity prices is minimised through the use of various types of hedging 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 of the purchase cost of electricity for the forecast franchise load and are closely matched with corresponding customer electricity sales contracts.

Contestable load

It is the policy of the economic entity to actively manage the exposure arising from its forecast contestable load. In doing so, the economic entity has entered various hedging contracts with individual market participants. Any unhedged position exposes the economic entity to pool price variation. The economic entity's policy ensures that the exposure and the consequent price risk are managed within prescribed limits.

The remaining terms and face values of the economic entity's outstanding electricity hedging contracts at the reporting date are detailed in the following table.

	Face values	
	1999	1998
	\$m	\$m
Vesting contracts (franchise load)		
1 to 2 years	88.7	(i)
Other contracts (contestable load)		
Less than 1 year	73.7	31.8
1 to 2 years	57.0	26.2
2 to 5 years	70.2	24.3
Longer than 5 years	23.4	0.0
	313.0	82.3

(i) Comparatives are not available.

The net unrecognised gain in respect of electricity hedging contracts at 30 June 1999 was \$18.4 million (1998 \$13.4 million loss excluding vesting contracts). All contracts are due for settlement within 11 years of the reporting date.

(d) 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 1999, the economic entity had no significant concentration of credit risk with any single counterparty or group of counterparties in respect of derivative instruments, other than in respect of electricity hedging contracts which included exposures to three individual counterparties each of more than \$15.0 million. Amounts receivable by the economic entity at the reporting date are detailed in the following table.

Note 44 - Additional financial instruments disclosures (continued)

	1999	1998
	\$m	\$m
Amounts receivable in respect of:		
Interest rate contracts	11.8	36.8
Foreign exchange contracts	4.2	52.9
Electricity hedging contracts	73.3	11.2 (i)
	89.3	100.9

(i) Excludes vesting contracts; comparatives are not available.

(e) 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.

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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		Net fair values	
		1999 \$m	1998 \$m	1999 \$m	1998 \$m
<i>Financial assets</i>					
Traded on organised markets					
Shares in unrelated entity	15(a)	50.2	0.0	65.2	0.0
Inscribed stock	10 and 15(c)	0.1	0.1	0.1	0.1
		<u>50.3</u>	<u>0.1</u>	<u>65.3</u>	<u>0.1</u>
Not readily traded on organised markets					
Cash (including deposits at call)	-	20.0	5.8	20.0	5.8
Debtors *	8 and 13	170.0	134.4	171.1	182.2
Unbilled gas and electricity revenue	8	112.1	99.0	112.1	99.0
Loans receivable	8 and 13	18.5	27.4	18.5	27.4
Other receivables	8 and 13	59.8	39.4	53.5	35.9
Interest in partnership	15(b)	34.9	0.0	45.8	0.0
Favourable interest rate contracts	-	0.0	0.0	11.8	36.8
Favourable electricity hedging contracts	-	0.0	0.0	73.3	11.2 (i)
		<u>415.3</u>	<u>306.0</u>	<u>506.1</u>	<u>398.3</u>
		<u>465.6</u>	<u>306.1</u>	<u>571.4</u>	<u>398.4</u>
* Includes receivables in respect of favourable foreign exchange contracts		<u>3.1</u>	<u>5.1</u>	<u>4.2</u>	<u>52.9</u>
<i>Financial liabilities</i>					
Not readily traded on organised markets					
Creditors	20	207.1	146.9	207.1	146.9
Other payables	20 and 24	27.8	32.7	27.8	32.7
Bank borrowings	21 and 25	281.9	102.3	280.7	102.9
Debentures	21	0.0	0.6	0.0	0.6
Bank overdrafts	21	0.6	3.7	0.6	3.7
Promissory notes	21	45.0	0.0	44.9	0.0
Medium term notes	25	250.0	0.0	256.1	0.0
Senior notes and debentures	25	757.2	768.6	714.7	768.0
Other borrowings	25	0.5	6.4	0.5	6.4
Lease liabilities	21 and 25	0.8	5.2	0.8	5.2
Unfavourable interest rate contracts	-	0.0	0.0	45.9	53.9
Unfavourable electricity hedging contracts	-	0.0	0.0	54.9	24.6 (i)
		<u>1,570.9</u>	<u>1,066.4</u>	<u>1,634.0</u>	<u>1,144.9</u>

(i) Excludes vesting contracts; comparatives are not available.

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Note 44 - Additional financial instruments disclosures (continued)

Bases for determining net fair values

Shares and 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 in partnership - expected future cash flows discounted by a risk reflective rate.

Interest rate contracts, foreign exchange contracts and electricity hedging contracts - amounts receivable or payable in order to realise favourable contracts and settle unfavourable contracts at the reporting date, based on appropriate interest rates or spot rates at that 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.

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	Fixed interest rate maturities			Non- interest bearing	Total
			1 year or less	1 to 5 years	more than 5 years		
1999	%	\$m	\$m	\$m	\$m	\$m	\$m
<i>Financial assets</i>							
Cash (including deposits at call)	4.8		11.9			8.1	20.0
Debtors	-					170.0	170.0
Unbilled gas and electricity revenue	-					112.1	112.1
Loans receivable	11.4		0.1	0.3		18.1	18.5
Other receivables	8.1	53.3				6.5	59.8
Shares in unrelated entity	-					50.2	50.2
Interest in partnership	-					34.9	34.9
Inscribed stock	5.8		0.1				0.1
Interest rate contracts (a) (b)	5.5	267.3		185.0	(452.3)		0.0
		<u>320.6</u>	<u>12.1</u>	<u>185.3</u>	<u>(452.3)</u>	<u>399.9</u>	<u>465.6</u>
<i>Financial liabilities</i>							
Creditors	-					207.1	207.1
Other payables	0.3	19.7				8.1	27.8
Bank borrowings	5.2	1.7	50.2	230.0			281.9
Bank overdrafts	8.5	0.6					0.6
Promissory notes	5.0		45.0				45.0
Medium term notes	5.4				250.0		250.0
Senior notes and debentures	6.5			151.6	605.6		757.2
Other borrowings	-					0.5	0.5
Lease liabilities	5.0		0.3	0.5			0.8
Interest rate contracts (a) (c)	6.0	(169.5)	65.0	483.4	(378.9)		0.0
		<u>(147.5)</u>	<u>160.5</u>	<u>865.5</u>	<u>476.7</u>	<u>215.7</u>	<u>1,570.9</u>

(a) Notional principal amounts.

(b) Comprises \$477.3 million of fixed to floating swaps offset by \$210.0 million of floating to fixed swaps.

(c) Comprises \$700.0 million of floating to fixed swaps offset by \$530.5 million of fixed to floating swaps.

Note 44 - Additional financial instruments disclosures (continued)

	Weighted average	Floating interest	Fixed interest rate maturities			Non- interest	Total
			1 year or	1 to 5	more than		

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1998	effective interest rate %	rate \$m	less \$m	years \$m	5 years \$m	bearing \$m	\$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
		<u>830.1</u>	<u>1.1</u>	<u>0.4</u>	<u>(790.0)</u>	<u>264.5</u>	<u>306.1</u>
<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
		<u>(685.3)</u>	<u>151.9</u>	<u>809.0</u>	<u>635.6</u>	<u>155.2</u>	<u>1,066.4</u>

(a) Notional principal amounts.

(b) Comprised \$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 - Events occurring after reporting date and not recognised in the financial report

On 14 July 1999, the economic entity acquired an additional one - third interest in Natural Gas Corporation Holdings Limited (NGC) for \$213.4 million. The acquisition increased the economic entity's interest in NGC from 38.3% to 71.6%. NGC, previously equity accounted by the economic entity as an associate, will be consolidated as a controlled entity as from the date of acquisition.

**THE AUSTRALIAN GAS LIGHT COMPANY
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DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 1999

The directors of The Australian Gas Light Company declare that the accompanying financial statements and the notes to the financial statements:

- (a) comply with accounting standards; and
- (b) give a true and fair view of the financial position and performance of the Chief Entity and the economic entity.

The directors also declare that, in their opinion:

- (a) there are reasonable grounds to believe that the Chief Entity will be able to pay its debts as and when they become due and payable; and
- (b) the accompanying financial statements and the notes thereto are in accordance with the Corporations Law.

This declaration is made in accordance with a resolution of the directors.

M J Phillips
Chairman

L F Bleasel
Director

Sydney, 26 August 1999

**THE AUSTRALIAN GAS LIGHT COMPANY
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INDEPENDENT AUDIT REPORT TO THE PROPRIETORS OF THE AUSTRALIAN GAS LIGHT COMPANY

Scope

We have audited the financial report of The Australian Gas Light Company for the financial year ended 30 June 1999 as set out on pages 1 to 42. The financial report includes the consolidated financial statements of the consolidated 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 report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

Audit Opinion

In our opinion, the financial report of The Australian Gas Light Company is in accordance with

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants

Sydney, 26 August 1999