

FINANCIAL REPORT 2000

The Australian Gas Light Company
ARBN 052 167 405. Formed in New South Wales
with limited liability And Controlled Entities.
30 June 2000

2 Profit and Loss Statements

3 Balance Sheets

4 Statements of Cash Flows

5 Notes to the Financial Statements

49 Directors' Declaration

50 Independent Audit Report

CONSOLIDATED PROFIT AND LOSS STATEMENTS for the year ended 30 June 2000

	Note	Consolidated		Parent Entity	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Revenue					
Continuing operations		2,775.1	1,671.9	934.6	568.0
Property operations	2(u)	34.0	3.9	0.3	0.7
	4(a)	<u>2,809.1</u>	<u>1,675.8</u>	<u>934.9</u>	<u>568.7</u>
Operating profit before borrowing costs, abnormal items and income tax					
Continuing operations		516.7	351.1	152.1	190.9
Property operations	2(u)	(1.5)	(2.2)	(1.5)	(1.3)
		<u>515.2</u>	<u>348.9</u>	<u>150.6</u>	<u>189.6</u>
Net borrowing costs or interest revenue		(138.2)	(77.8)	6.1	13.1
Operating profit before abnormal items and income tax					
	4	377.0	271.1	156.7	202.7
Abnormal items	5	109.5	0.0	205.6	0.0
Operating profit before income tax		<u>486.5</u>	<u>271.1</u>	<u>362.3</u>	<u>202.7</u>
Income tax attributable to operating profit before abnormal items		(115.3)	(63.2)	(2.6)	(1.3)
Income tax attributable to abnormal items	5	91.5	13.5	(5.8)	0.0
Income tax attributable to operating profit	6	(23.8)	(49.7)	(8.4)	(1.3)
Operating profit after income tax before abnormal items					
		261.7	207.9	154.1	201.4
Profit on abnormal items after income tax	5	201.0	13.5	199.8	0.0
Operating profit after income tax					
Outside equity interests in operating profit after income tax		(12.7)	(0.1)	0.0	0.0
Operating profit after income tax attributable to Proprietors of the Parent Entity					
		450.0	221.3	353.9	201.4
Retained profits at the beginning of the financial year		437.9	363.9	429.6	375.5
Total available for appropriation		887.9	585.2	783.5	576.9
Dividends provided for or paid	7	(252.2)	(147.3)	(252.2)	(147.3)
Retained profits at the end of the financial year		<u>635.7</u>	<u>437.9</u>	<u>531.3</u>	<u>429.6</u>
Earnings per share					
Basic earnings per share (cents)					
Including abnormal items		133.8	68.0		
Excluding abnormal items		74.0	63.9		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (millions)					
		336.3	325.5		
Diluted earnings per share is the same as basic earnings per share.					

	Note	Consolidated		Parent Entity	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Current assets					
Cash		31.1	20.0	6.2	14.4
Receivables	8	608.8	296.6	44.7	30.1
Inventories	9	17.8	27.5	0.0	0.0
Investments	10	0.0	0.1	0.0	0.0
Property, plant and equipment	11	17.1	10.8	14.9	8.6
Other	12	24.7	8.9	1.1	1.5
Total current assets		699.5	363.9	66.9	54.6
Non-current assets					
Receivables	13	73.2	63.8	2,796.9	2,420.0
Inventories	14	3.1	2.4	0.0	0.0
Investments	15	279.9	567.3	525.0	504.4
Property, plant and equipment	16	2,614.5	1,723.4	32.8	36.2
Intangibles	17	1,159.7	601.3	0.0	0.0
Deferred expenditure	18	251.1	233.2	14.2	12.4
Other	19	264.1	60.7	14.0	5.7
Total non-current assets		4,645.6	3,252.1	3,382.9	2,978.7
Total assets		5,345.1	3,616.0	3,449.8	3,033.3
Current liabilities					
Accounts payable	20	478.1	215.8	68.2	46.2
Borrowings	21	200.1	96.1	143.4	95.3
Provisions	22	256.5	114.9	189.5	85.8
Unearned revenue	23	26.2	32.3	12.5	4.3
Total current liabilities		960.9	459.1	413.6	231.6
Non-current liabilities					
Accounts payable	24	12.5	19.1	0.0	0.0
Borrowings	25	1,850.7	1,239.9	1,304.1	1,290.9
Provisions	26	409.3	345.5	21.0	15.8
Unearned revenue	27	25.8	28.1	2.2	0.0
Total non-current liabilities		2,298.3	1,632.6	1,327.3	1,306.7
Total liabilities		3,259.2	2,091.7	1,740.9	1,538.3
Net assets		2,085.9	1,524.3	1,708.9	1,495.0
Equity					
Share capital	28	1,175.9	1,064.1	1,175.9	1,063.7
Reserves	29	(26.0)	22.1	1.7	1.7
Retained profits		635.7	437.9	531.3	429.6
Equity attributable to Proprietors of the Parent Entity		1,785.6	1,524.1	1,708.9	1,495.0
Outside equity interests in controlled entities	30	300.3	0.2	0.0	0.0
Total equity		2,085.9	1,524.3	1,708.9	1,495.0

STATEMENTS OF CASH FLOWS for the year ended 30 June 2000

	Note	Consolidated Inflows (Outflows)		Parent Entity Inflows (Outflows)	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Cash flows from operating activities					
Receipts from customers		2,374.1	1,396.1	289.3	301.4
Payments to suppliers and employees		(1,893.6)	(1,028.3)	(290.9)	(292.4)
Proceeds from property mortgage repayments		0.2	2.5	0.0	0.0
Dividends received		77.2	39.2	152.6	195.7
Interest received		11.4	17.0	120.6	81.5
Borrowing costs paid		(151.9)	(81.7)	(97.1)	(63.9)
Income taxes paid		(44.1)	(47.6)	(7.2)	(0.3)
Net cash provided by operating activities	43(d)	373.3	297.2	167.3	222.0
Cash flows from investing activities					
Payments for property, plant and equipment		(324.6)	(441.0)	(24.7)	(12.9)
Payments for investments		(327.2)	(355.6)	(156.8)	0.0
Payments for acquisition of controlled entities	43(e)	(809.6)	0.0	0.0	0.0
Payments for additional investments in controlled entities		0.0	0.0	0.0	(43.2)
Loans advanced		(55.1)	(39.6)	(4.3)	(3.8)
Proceeds from sale of property, plant and equipment		17.3	8.0	11.6	14.8
Proceeds from disposal of controlled entities	43(f)	349.3	0.0	340.0	0.0
Proceeds from disposal of investments		34.5	140.9	0.0	0.0
Proceeds from loan repayments		17.5	26.3	1.6	2.5
Net cash provided by (used in) investing activities		(1,097.9)	(661.0)	167.4	(42.6)
Cash flows from financing activities					
Proceeds from issue of shares		167.2	65.2	112.1	65.2
Proceeds from borrowings and hedge receipts on foreign currency borrowings		934.5	565.5	160.3	565.0
Repayment of borrowings and hedge payments on foreign currency borrowings		(202.7)	(103.6)	(200.2)	(98.4)
Loans repaid by controlled entities		0.0	0.0	552.3	0.0
Loans advanced to controlled entities		0.0	0.0	(815.4)	(550.3)
Dividends and other distributions paid		(173.6)	(139.7)	(160.1)	(139.4)
Net cash provided by (used in) financing activities		725.4	387.4	(351.0)	(157.9)
Net increase (decrease) in cash held		0.8	23.6	(16.3)	21.5
Cash at the beginning of the financial year		19.4	(4.2)	14.1	(7.4)
Effect of exchange rate changes on the balance of cash held in foreign currencies		2.4	0.0	0.0	0.0
Cash at the end of the financial year	43(a)	22.6	19.4	(2.2)	14.1

Note 1 – Regulation

The Parent 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, applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

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 of the consolidated entity, comprises of The Australian Gas Light Company (the Parent Entity) and each of its controlled entities listed in Note 37. All inter-entity balances and transactions are eliminated on consolidation.

(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 consolidated entity passes to the buyers.

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

(d) Inventories

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

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

The conditions of purchase of certain inventories include retention of title clauses. Under such clauses, ownership of the inventories does not fully pass to the consolidated 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 identifiable net assets.

Investments in associates and joint venture entities are shown at cost plus the consolidated entity's share of the post-acquisition undistributed profits and reserves of the associates or joint venture entities. The results of associates and joint venture entities are accounted for by the equity method.

Interests in unincorporated joint ventures (joint venture operations) are recognised by including in the financial report under the appropriate categories the consolidated entity's relevant proportion of joint venture revenues, costs, assets and liabilities.

Interests in partnerships that are not joint ventures are shown at cost plus the consolidated entity's share of the undistributed profits of the partnerships. The consolidated 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 or distributions from such entities are brought to account as operating profit.

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

(f) Property, plant and equipment

Purchased assets

Items of property, plant and equipment are initially 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. Depreciation rates are reviewed annually and, if necessary, adjusted to reflect the most recent assessments of useful lives.

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.

Note 2 – Statement of significant accounting policies (continued)

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 excess of acquisition costs over the fair values of the identifiable net assets of controlled entities acquired by the consolidated entity and is amortised on a straight line basis over the period of time during which the future benefits are expected to arise or twenty years, whichever is the shorter. The unamortised balance of goodwill is reviewed at each reporting date and, to the extent that future benefits are no longer probable, charged against profits.

(h) Licences

The consolidated entity's electricity distribution licence is carried at cost to the consolidated entity, cost representing the fair value of the electricity licence acquired. 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.

The consolidated entity's electricity retail licences are carried at cost to the consolidated entity, cost representing the fair value of the electricity licences acquired. The licences are amortised on a straight line basis over the period of time during which the future benefits are expected to arise, being twenty to sixty years.

(i) Gas entitlements

A controlled entity of the consolidated entity has entered into gas supply contracts in New Zealand. Under the terms of the contracts, the controlled entity is required to pay for a minimum quantity of gas in each contract year whether or not delivery has been made. Prepayments for undelivered gas entitle the controlled entity to delivery of gas in subsequent years without further payment. The prepayments are capitalised as a long term asset and will be amortised as the prepaid gas is utilised.

(j) 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 fifty years. These expenditures principally relate to computer software and gas and electricity 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 and electricity industry expenditures).

The carrying amount of deferred expenditure is reviewed at each reporting date.

(k) Recoverable amount of non-current assets

Where the carrying values of any non-current assets exceed recoverable amount, the non-current assets are revalued by directors to their recoverable amounts. In determining the recoverable amount of non-current assets, the expected net cashflows have been discounted to their present values.

(l) Accounts payable

Creditors and other payables, including accruals not yet billed, are recognised when the consolidated 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.

(m) Borrowings

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

(n) 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.

(o) 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.

Note 2 – Statement of significant accounting policies (continued)

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 tax rates expected to apply when those timing differences are to reverse, 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 Parent 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.

(p) Employee entitlements

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

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

Contributions to employee superannuation plans are expensed as the contributions are paid or become payable.

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.

(q) Revenue recognition

Gas and electricity revenue represents accounts rendered plus an accrual for unbilled revenue at the end of the financial period.

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 income in the periods in which the infrastructure is completed.

(r) Foreign currencies

Translation of foreign currency transactions

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

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

Translation of foreign currency financial statements

Assets and liabilities of self-sustaining foreign controlled entities are translated into Australian dollars at exchange rates ruling at 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.

Note 2 – Statement of significant accounting policies (continued)

Hedging of foreign currency commitments

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

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

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

(s) Derivative financial instruments

Derivative financial instruments are entered into in order to manage financial risks, as outline in Note 45.

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.

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

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

(t) Cash flows

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

(u) Property operations

The consolidated entity is continuing its orderly withdrawal from 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 consolidated 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 consolidated entity and the Parent Entity.

(v) Comparative figures

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

(w) Rounding of amounts

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

	Revenue		Operating result		Total assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 3 – Segment information						
Industry segments						
Energy						
<i>Infrastructure</i>						
Gas networks	371.3	380.2	176.5	156.8	1,119.7	1,035.3
Gas pipelines	542.9	327.8	83.7	52.8	67.5	500.0
Electricity networks	172.2	172.7	68.9	68.4	1,123.0	1,100.0
	1,086.4	880.7	329.1	278.0	2,310.2	2,635.3
<i>Sales and marketing</i>	1,510.1	1,178.2	67.7	50.8	682.3	278.8
Less network charges	469.3	469.7	0.0	0.0	0.0	0.0
	1,040.8	708.5	67.7	50.8	682.3	278.8
	2,127.2	1,589.2	396.8	328.8	2,992.5	2,914.1
<i>Power generation</i>	32.0	3.0	2.9	1.3	47.6	68.6
LPG	30.8	21.3	17.7	10.4	100.2	75.7
<i>International business</i>	528.8	20.7	100.5	19.0	2,035.2	383.0
	2,718.8	1,634.2	517.9	359.5	5,175.5	3,441.4
Property	34.2	3.9	(1.5)	(2.2)	73.3	69.5
Other	53.2	36.9	5.3	(6.4)	28.2	36.7
Segment totals	2,806.2	1,675.0	521.7	350.9	5,277.0	3,547.6
Unallocated items	5.6	4.3	(6.5)	(2.0)	68.1	68.4
	2,811.8	1,679.3	515.2	348.9	5,345.1	3,616.0
Less: inter-segment revenue	2.7	3.5	0.0	0.0	0.0	0.0
net borrowing costs	0.0	0.0	138.2	77.8	0.0	0.0
	2,809.1	1,675.8	377.0	271.1	5,345.1	3,616.0

Inter-segment revenue was derived as follows:

Energy	1.1	1.1
Property	0.2	0.3
Other	1.4	2.1
	2.7	3.5

Inter-segment pricing is on an “arms-length” basis.

Revenue is principally derived from:

(i) Energy

Infrastructure

Gas networks – distribution of natural gas.

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 a joint venture entity involved in the LPG industry.

International business – distribution of natural gas and investments in foreign entities 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	2,275.1	1,651.4	410.8	330.4	3,291.3	3,216.9
New Zealand	532.2	20.2	104.0	18.4	1,995.7	321.5
Other	1.8	4.2	0.4	0.1	58.1	77.6
	2,809.1	1,675.8	515.2	348.9	5,345.1	3,616.0

There was no material inter-segment revenue.

	Infrastructure			Sales and marketing	Power generation	LPG	International business
	Gas networks	Gas pipelines	Electricity networks				
	2000 \$m	2000 \$m	2000 \$m	2000 \$m	2000 \$m	2000 \$m	2000 \$m
Note 3 – Segment information (continued)							
Information relating to energy segment							
(a) Funds employed							
Current assets							
Cash	0.0	2.5	0.0	3.5	0.0	0.0	11.2
Receivables	18.0	19.4	36.1	364.4	1.8	1.8	159.8
Inventories	1.8	0.1	0.1	5.6	0.1	0.0	6.2
Investments	0.0	0.0	0.0	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	0.6	0.0	0.4	5.7	0.0	0.0	16.1
Non-current assets							
Receivables	0.2	0.0	0.0	0.1	0.0	32.5	1.6
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	36.7	0.0	0.4	10.5	65.2	166.6
Property, plant and equipment	922.1	4.8	467.6	15.7	30.9	0.7	1,122.9
Intangibles	0.0	0.0	584.1	207.3	0.0	0.0	368.3
Deferred expenditure	170.0	0.0	21.9	16.2	3.5	0.0	7.6
Other	4.8	4.0	12.8	63.4	0.8	0.0	174.9
Total assets	1,119.7	67.5	1,123.0	682.3	47.6	100.2	2,035.2
Current liabilities							
Accounts payable	20.6	9.7	12.9	245.4	1.1	0.4	144.9
Provisions	24.1	14.7	5.4	82.6	0.1	3.5	7.0
Unearned revenue	16.7	0.5	0.0	6.1	0.0	0.0	2.4
Non-current liabilities							
Accounts payable	0.0	0.0	0.0	12.5	0.0	0.0	0.0
Provisions	176.6	2.4	60.5	116.3	1.7	0.0	32.5
Unearned revenue	23.6	0.0	0.0	0.0	0.0	0.0	0.0
Funds employed	858.1	40.2	1,044.2	219.4	44.7	96.3	1,848.4
(b) Profit before borrowing costs and abnormal items							
Before income tax	176.5	83.7	68.9	67.7	2.9	17.7	100.5
After income tax	117.1	75.0	41.7	39.2	1.9	13.8	63.7
(c) Profit before borrowing costs and abnormal items/funds employed* (%)							
Before income tax	21.7	36.4	6.7	41.4	5.3	20.7	9.2
After income tax	14.4	32.7	4.0	23.9	3.4	16.2	5.8

* Weighted where appropriate.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 4 – Operating profit				
Operating profit includes:				
(a) Revenue				
Sales of goods				
Operating activities	1,975.4	1,206.5	295.2	284.7
Other activities	14.9	3.1	0.0	0.0
Provision of services				
Construction contracts	5.2	34.9	0.0	0.0
Other operating activities	296.7	215.0	0.4	0.6
Other activities	0.0	0.1	0.0	0.0
Interest				
Controlled entities				
Wholly-owned	0.0	0.0	107.6	76.9
Partly-owned	0.0	0.0	0.0	0.5
Associates and joint venture entities	5.6	4.1	0.0	0.0
Other entities				
Operating activities	13.9	13.5	1.7	1.9
Dividends				
Wholly-owned controlled entities	0.0	0.0	152.6	195.7
Equity share of profits				
Joint venture entities (Note 39)	3.8	0.0	0.0	0.0
Associates (Note 40)	59.9	47.2	0.0	0.0
Share of partnership profits	0.9	0.6	0.0	0.0
Disposals of assets				
Operating activities	407.8	144.9	352.2	0.3
Other activities	18.8	0.0	18.8	0.0
Contributions of assets	0.0	1.5	0.0	0.0
Rents				
Other activities	0.4	1.0	0.3	0.7
Write-back of provisions no longer required				
Environmental rehabilitation	2.1	0.0	0.0	0.0
Contract restructuring	1.3	1.3	0.0	0.0
Settlement of contract disputes	0.0	2.1	0.0	0.0
Reversal of diminution of value of property, plant and equipment	2.4	0.0	0.0	0.0
Net foreign currency exchange gain from non-speculative dealing	0.0	0.0	6.1	7.4
	2,809.1	1,675.8	934.9	568.7
All revenue relates to operating activities unless otherwise stated.				
(b) Net gain on disposal of assets (excluding abnormal items)				
Investments	5.5	0.1	0.0	0.0
Property, plant and equipment	1.3	0.2	0.1	0.0
(c) Items of expense				
Borrowing costs				
Interest expense				
Controlled entities				
Wholly-owned	0.0	0.0	1.2	1.4
Other entities	150.3	90.3	99.7	63.2
Finance lease expenses				
Finance charges	0.1	0.2	0.0	0.0
Contingent rental	0.0	(0.5)	0.0	0.0
Other borrowing costs	2.2	1.8	2.1	1.6
	152.6	91.8	103.0	66.2
Less amounts capitalised as part of the carrying values of assets*	0.6	0.5	0.0	0.0
	152.0	91.3	103.0	66.2

*Capitalisation rate applicable to funds borrowed generally – 6.6% (1999 6.5%)

	Consolidated		Parent Entity	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Note 4 – Operating profit (continued)				
Amounts provided for:				
Directors' retiring allowances	0.2	0.4	0.2	0.4
Doubtful debts (net of bad debts recovered)	12.7	4.5	0.0	0.0
Employee entitlements	15.4	17.4	2.5	4.5
Property rental guarantees	0.0	0.3	0.0	0.0
Amounts written off in respect of:				
Plant and equipment scrapped	1.6	1.4	0.0	0.0
Deferred expenditure	0.2	0.1	0.0	0.0
Amortisation of:				
Deferred expenditure	21.1	18.5	0.4	0.2
Gas entitlements	9.9	0.0	0.0	0.0
Intangibles	13.9	4.3	0.0	0.0
Right to receive net pipeline tariffs	0.7	0.7	0.0	0.0
Depreciation of:				
Buildings				
Freehold	0.2	0.1	0.0	0.0
Leasehold	2.6	0.3	0.7	0.0
Plant and equipment				
Purchased assets	103.2	84.5	0.9	0.8
Leased assets	0.3	0.4	0.0	0.0
Net decrements arising on revaluation of:				
Inventories	0.0	0.5	0.0	0.0
Property, plant and equipment	0.0	0.9	0.0	0.0
Receivables	0.0	0.4	0.0	0.0
Rental expense on operating leases:				
Goldline rehabilitation programme	20.4	20.6	0.0	0.0
Amadeus Gas Trust assets	17.3	17.8	0.0	0.0
Other	16.6	14.7	4.6	5.5
Net foreign currency exchange loss from non-speculative dealing	0.4	1.0	0.0	0.0
Research and development costs	0.2	2.0	0.0	0.0

During the year, the useful lives of inlet services and customer connections were reviewed and extended from 13 years to 50 years, equivalent to their technical lives and in-line with the Independent Pricing and Regulatory Tribunal (IPART) determination. The useful life of certain computer equipment was also reassessed during the year. The extension of useful lives has resulted in a reduction of \$13.9 million in depreciation of plant and equipment and a reduction of \$10.4 million in amortisation of deferred expenditure for the year.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 5 – Abnormal items				
Profit on sale of controlled entities (Income tax benefit included \$24.8 million (Parent Entity income tax expense \$3.3 million))	161.9	0.0	192.0	0.0
Profit on sale of surplus property held for sale (Income tax expense included \$4.6 million (Parent Entity \$4.6 million))	9.5	0.0	9.5	0.0
Costs incurred to implement the Goods and Services Tax (Income tax benefit included \$3.4 million (Parent Entity \$0.8 million))	(6.1)	0.0	(1.4)	0.0
Costs incurred to restructure AGL's business structures and processes (Income tax benefit included \$11.6 million (Parent Entity \$0.7 million))	(20.6)	0.0	(0.9)	0.0
Adjustments to restate net deferred income tax balances due to the change in income tax rates (1)	40.7	0.0	0.6	0.0
Recognition of tax losses in respect of which future income tax benefits were not previously brought to account (1)	15.6	0.0	0.0	0.0
Adjustments to income tax provided in prior years as a result of development allowance claims (2)	0.0	13.5	0.0	0.0
Total abnormal items after income tax	201.0	13.5	199.8	0.0

Total abnormal items

Abnormal items before income tax	109.5	0.0	205.6	0.0
Income tax benefit/(expense)	91.5	13.5	(5.8)	0.0
	201.0	13.5	199.8	0.0

(1) These adjustments are included in "Income tax abnormal items" in Note 6.

(2) This adjustment is included in "Income tax over/(under) provided in prior years" in Note 6.

Note 6 – Income tax attributable to operating profit

Prima facie income tax expense on operating profit at 36%	(135.7)	(97.6)	(56.4)	(73.0)
Tax effect of permanent differences				
Non-allowable expenditure	(19.1)	(7.4)	(0.5)	(0.3)
Non-assessable revenue	5.1	7.1	0.0	0.0
Rebateable/non-assessable dividends	0.0	0.0	55.0	70.5
Equity accounted profits of associates and joint venture entities	22.9	17.0	0.0	0.0
Development allowance	2.5	1.7	0.0	0.0
Rehabilitation expenditure	4.9	7.5	0.0	0.0
Profits/losses on disposals of assets	2.7	0.3	0.0	0.0
Other	1.8	0.4	0.5	0.6
Income tax abnormal items	91.5	0.0	(5.8)	0.0
Income tax over/(under) provided in prior years	(0.4)	21.3	(1.2)	0.9
Income tax expense on operating profit	(23.8)	(49.7)	(8.4)	(1.3)

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 7 – Dividends				
Interim dividend paid 14 April 2000 (1999 –15 April 1999)				
Franked amount (4 cents per share (1999 12 cents per share))	13.5	39.1	13.5	39.1
Unfranked amount (20 cents per share (1999 9 cents per share))	67.7	29.3	67.7	29.3
Total amount (24 cents per share (1999 21 cents per share))	81.2	68.4	81.2	68.4
Final dividend proposed for 17 October 2000 (1999 – 19 October 1999)				
Franked amount (6 cents per share (1999 4 cents per share))	20.5	13.1	20.5	13.1
Unfranked amount (21 cents per share (1999 20 cents per share))	71.8	65.8	71.8	65.8
Total amount (27 cents per share (1999 24 cents per share))	92.3	78.9	92.3	78.9
	252.2	147.3	252.2	147.3
Special dividend proposed for 17 October 2000				
Franked amount (0 cents per share (1999 0 cents per share))	0.0	0.0	0.0	0.0
Unfranked amount (23 cents per share (1999 0 cents per share))	78.7	0.0	78.7	0.0
Total amount (23 cents per share (1999 0 cents per share))	78.7	0.0	78.7	0.0
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)				
	10.3	5.0	10.3	5.0
Foreign dividend account credits attached to dividends for the year	51.3	0.0	51.3	0.0
Note 8 – Receivables (current)				
Debtors	464.7	176.6	8.9	4.4
Less provision for doubtful debts	15.4	7.2	0.0	0.0
	449.3	169.4	8.9	4.4
Unbilled gas and electricity revenue	143.4	112.1	0.0	0.0
Loans receivable (unsecured)	0.0	0.1	0.0	0.0
Loans receivable (secured)				
At directors' valuation 1999	0.0	0.2	0.0	0.0
At cost	0.5	0.6	0.5	0.6
	0.5	0.8	0.5	0.6
Loans to directors engaged in full time employment within the consolidated entity (secured)	0.7+	0.7*	0.7+	0.7*
Amounts owing by:				
Wholly-owned controlled entities	0.0	0.0	26.5	24.0
Partly-owned controlled entities	0.0	0.0	0.0	0.1
Associates and joint venture entities	14.9	13.5	8.1	0.3
	14.9	13.5	34.6	24.4
	608.8	296.6	44.7	30.1

+ To nearest thousand dollars, \$710,000.

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

Significant terms and conditions

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

Unbilled gas and electricity revenue is not 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 mortgage over the relevant property and employee share plan loans which are secured by first mortgages over shares of the Parent 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 2001.

Loans to directors, including directors of controlled entities, comprise employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The loans are non-interest bearing and the current portions of the loans are repayable no later than 30 June 2001.

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

Credit risk

The consolidated 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.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 9 – Inventories (current)				
(a) Stocks and materials				
Raw materials and stores – at cost	11.2	7.7	0.0	0.0
Work in progress – at cost	0.1	0.0	0.0	0.0
Finished goods – at cost	2.7	4.7	0.0	0.0
Less provision to reduce carrying values to net realisable values	0.0	0.6	0.0	0.0
	2.7	4.1	0.0	0.0
	14.0	11.8	0.0	0.0

(b) Properties held for development and sale

Acquisition costs	6.1	29.2	0.0	0.0
Development costs	0.6	0.7	0.0	0.0
	6.7	29.9	0.0	0.0
Less provision to reduce carrying values to net realisable values	2.9	14.2	0.0	0.0
	3.8	15.7	0.0	0.0
	17.8	27.5	0.0	0.0

Valuations

Properties held for development and sale were valued at \$4.2 million at 30 June 2000. 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 2000.

Aggregate carrying amount of inventories, including non-current inventories (Note 14)

	20.9	29.9	0.0	0.0
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Note 10 – Investments (current)

Inscribed stock – quoted on stock exchange

At cost	0.0	0.1	0.0	0.0
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Note 11 – Property, plant and equipment (current)

Surplus properties held for sale – freehold

At directors' valuation 1998	2.2	2.2	0.0	0.0
At directors' valuation 1996	14.9	8.6	14.9	8.6
	17.1	10.8	14.9	8.6

Valuations

Surplus properties held for sale were valued at \$33.4 million at 30 June 2000. 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 2000.

Note 12 – Other current assets

Research and development expenditure

At cost	0.0	3.3	0.0	0.0
Less provision for diminution in value	0.0	2.3	0.0	0.0
	0.0	1.0	0.0	0.0
Prepayments	24.7	7.9	1.1	1.5
	24.7	8.9	1.1	1.5

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 13 – Receivables (non-current)				
Debtors	10.5	0.6	10.4	0.0
Loans receivable (unsecured)	1.9	0.3	0.0	0.0
Loans receivable (secured)				
At directors' valuation 1993	3.5	3.5	0.0	0.0
At cost	10.6	7.0	10.6	7.0
	14.1	10.5	10.6	7.0
Loans to directors engaged in full time employment within the consolidated entity (secured)	5.3+	6.1*	5.3+	6.1*
Amounts owing by:				
Wholly-owned controlled entities	0.0	0.0	2,770.4	2,397.6
Partly-owned controlled entities	0.0	0.0	0.2	9.3
Associates and joint venture entities	41.4	46.3	0.0	0.0
	41.4	46.3	2,770.6	2,406.9
	73.2	63.8	2,796.9	2,420.0

+ To nearest thousand dollars, \$5,332,000.

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

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 Parent 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 2009.

Loans to directors, including directors of controlled entities, comprise employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The loans are non-interest bearing and are repayable no later than November 2009.

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

Credit risk

The consolidated 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 (a joint venture entity) which is repayable in June 2003.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 14 – Inventories (non-current)				
Properties held for development and sale				
Acquisition costs	2.1	1.5	0.0	0.0
Development costs	1.8	1.8	0.0	0.0
Other costs capitalised	0.9	0.7	0.0	0.0
	4.8	4.0	0.0	0.0
Less provision to reduce carrying value to net realisable value	1.7	1.6	0.0	0.0
	3.1	2.4	0.0	0.0

Valuation

The properties held for development and sale were valued at \$3.2 million at 30 June 2000. 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 2000.

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
	0.0	0.0	149.1	149.1
At cost	0.0	0.0	229.5	355.3
	0.0	0.0	378.6	504.4

Associates – quoted on stock exchange

At equity accounted carrying amount (Parent Entity at cost)	162.1	175.7	146.4	0.0
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Associates – not quoted on stock exchange

At equity accounted carrying amounts	1.7	306.5	0.0	0.0
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Joint Venture Entities – not quoted on stock exchange

At equity accounted carrying amounts	105.6	0.0	0.0	0.0
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Unrelated entity – quoted on stock exchange

At cost	0.0	50.2	0.0	0.0
	269.4	532.4	525.0	504.4

(b) Interest in partnership

At cost plus share of undistributed profits	10.5	34.9	0.0	0.0
	279.9	567.3	525.0	504.4

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 consolidated entity had a 9.8% ownership interest in TrustPower Limited, a New Zealand electricity generator and retailer. During the year the consolidated entity increased its relevant interest in TrustPower to 20.5% resulting in TrustPower becoming an associate of the consolidated entity.

Interest in partnership

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

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
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	4.8	7.4	1.5	1.5
	5.8	8.4	1.5	1.5
Less provision for depreciation	0.1	0.2	0.0	0.0
	5.7	8.2	1.5	1.5
At cost	31.2	25.2	0.0	0.0
Less provision for depreciation	2.0	0.8	0.0	0.0
	29.2	24.4	0.0	0.0
	34.9	32.6	1.5	1.5
Leasehold				
At directors' valuation 1998	0.0	0.6	0.0	0.0
At directors' valuation 1997	0.7	1.1	0.0	0.0
	0.7	1.7	0.0	0.0
Less provision for depreciation	0.0	0.1	0.0	0.0
	0.7	1.6	0.0	0.0
	35.6	34.2	1.5	1.5

Valuations (refer Note 2(f))

Certain land and buildings were restated at directors' valuation either on 30 June 1998 or 30 June 1997. These valuations were made after directors had received independent valuations, carried out by licensed real estate valuers, and after allowing for site rehabilitation costs.

Land and buildings were valued at \$36.9 million at 30 June 2000. 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 2000.

(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	3.5	0.0	0.0
At directors' valuation 1996	18.5	29.4	18.5	29.4
	22.5	33.4	18.5	29.4
Less provision for depreciation	0.1	0.1	0.0	0.0
	22.4	33.3	18.5	29.4
At cost	8.9	0.7	4.0	0.7
	31.3	34.0	22.5	30.1
Leasehold				
At directors' valuation 1997	0.0	0.7	0.0	0.0
	31.3	34.7	22.5	30.1

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 \$84.6 million at 30 June 2000. 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 have been offset by the utilisation of part of the former gas customers' reserve account). The carrying values of the properties were not restated at 30 June 2000.

Capital gains tax payable if the properties had been sold at 30 June 2000 for amounts equivalent to either their carrying values or the directors' valuations at that date would be \$29.4 million (1999 \$nil). At 30 June 2000 no allowance has been made for this capital gains tax.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 16 – Property, plant and equipment (non-current) (continued)				
(c) Plant and equipment				
Purchased assets				
At directors' valuation 1999	0.0	1.7	0.0	0.0
At directors' valuation 1998	0.0	2.0	0.0	0.0
At directors' valuation 1992	0.0	48.1	0.0	0.0
At directors' valuation 1986	123.1	123.1	0.0	0.0
	123.1	174.9	0.0	0.0
Less provision for depreciation	35.1	61.2	0.0	0.0
	88.0	113.7	0.0	0.0
At cost	3,018.8	1,976.2	12.2	7.7
Less: provision for depreciation	559.2	433.6	3.4	3.1
provision for diminution in value	0.0	2.4	0.0	0.0
	2,459.6	1,540.2	8.8	4.6
	2,547.6	1,653.9	8.8	4.6
Capitalised leased assets				
At assessed value	0.0	1.1	0.0	0.0
Less provision for depreciation	0.0	0.5	0.0	0.0
	0.0	0.6	0.0	0.0
	2,547.6	1,654.5	8.8	4.6

Valuations (refer Note 2(f))

A gas distribution system was revalued to recoverable amount by directors on 30 June 1999.

A lateral pipeline was revalued to recoverable amount by directors on 31 December 1997.

A 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

2,614.5	1,723.4	32.8	36.2
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Depreciation methods applicable to each class of assets

Land and surplus properties held for sale are not depreciated.

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: 2% – 33 1/3% pa.

Capitalised leased assets: 2% – 20% pa.

Note 17 – Intangibles

Goodwill

At cost	453.9	84.7	0.0	0.0
Less provision for amortisation	18.4	10.4	0.0	0.0
	435.5	74.3	0.0	0.0

Licences

At cost	726.3	527.0	0.0	0.0
Less provision for amortisation	2.1	0.0	0.0	0.0
	724.2	527.0	0.0	0.0
	1,159.7	601.3	0.0	0.0

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 18 – Deferred expenditure				
Gas industry expenses – at cost				
Customer connections	195.1	162.5	0.0	0.0
Natural gas conversion	72.0	71.5	0.0	0.0
Other	17.8	10.8	0.0	0.0
	284.9	244.8	0.0	0.0
Less provision for amortisation	113.2	105.8	0.0	0.0
	171.7	139.0	0.0	0.0
Other expenses – at cost				
Borrowings	12.4	11.4	12.4	11.3
Computer software	93.8	99.3	1.5	3.2
Other	8.9	6.8	4.7	0.3
	115.1	117.5	18.6	14.8
Less provision for amortisation	35.7	23.3	4.4	2.4
	79.4	94.2	14.2	12.4
	251.1	233.2	14.2	12.4
Note 19 – Other non-current assets				
Right to receive net pipeline tariffs	0.0	15.7	0.0	0.0
Less provision for amortisation	0.0	6.9	0.0	0.0
	0.0	8.8	0.0	0.0
Gas entitlements – at cost	164.0	0.0	0.0	0.0
Less provision for amortisation	9.9	0.0	0.0	0.0
	154.1	0.0	0.0	0.0
Future income tax benefits *	102.9	44.1	14.0	5.7
Sundry gas and electricity assets	7.1	7.8	0.0	0.0
	264.1	60.7	14.0	5.7
* Includes future income tax benefits attributable to tax losses carried forward as an asset	18.4	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(o) apply	14.8	54.4	2.8	2.8
	14.8	54.4	2.8	2.8
Note 20 – Accounts payable (current)				
Creditors	465.4	207.1	68.2	46.1
Consumer deposits and interest	4.0	0.6	0.0	0.0
Amounts owing to:				
Wholly-owned controlled entities	0.0	0.0	0.0	0.1
Associates and joint venture entities	8.7	8.1	0.0	0.0
	478.1	215.8	68.2	46.2

Significant terms and conditions

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

Consumer deposits and interest relate to security deposits lodged with certain controlled entities of the consolidated entity by gas and electricity consumers. These deposits and accrued interest are normally held by the consolidated 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).

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 21 – Borrowings (current)				
Secured				
Bank borrowings	0.0	0.2	0.0	0.0
Other borrowings	4.7	0.0	0.0	0.0
Subject to negative pledge				
Bank borrowings	50.0	50.0	50.0	50.0
Unsecured				
Bank overdrafts	0.3	0.6	0.3	0.3
Natural gas notes	51.9	0.0	0.0	0.0
Promissory notes	85.0	45.0	85.0	45.0
Other borrowings	8.2	0.0	8.1	0.0
Lease liabilities (Note 33)	0.0	0.3	0.0	0.0
	200.1	96.1	143.4	95.3

Significant terms and conditions

Other borrowings (secured) are secured by a floating charge over the assets of a partly-owned controlled entity and are repayable by June 2001

Bank borrowings (subject to negative pledge) are repayable on the expiration of the facility on 30 June 2001.

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

Natural gas notes issued by a partly-owned controlled entity are repayable in July 2000.

Promissory notes are payable on maturity. The maturity dates are between July and August 2000.

Note 22 – Provisions (current)

Dividends	171.0	78.9	171.0	78.9
Taxation	8.1	5.9	10.0	4.0
Employee entitlements	44.2	17.5	8.2	2.8
Contract restructuring	19.6	1.3	0.0	0.0
Property rental guarantees	0.3	0.0	0.0	0.0
Environmental rehabilitation	0.9	9.4	0.1	0.1
Other	12.4	1.9	0.2	0.0
	256.5	114.9	189.5	85.8

Note 23 – Unearned revenue (current)

Balance of amount transferred from former gas customers' reserve account to offset reductions in network transportation charges	16.0	22.6	0.0	0.0
Other unearned revenue	10.2	9.7	12.5	4.3
	26.2	32.3	12.5	4.3

Note 24 – Accounts payable (non-current)

Consumer deposits and interest	12.5	19.1	0.0	0.0
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Significant terms and conditions

Consumer deposits and interest relate to security deposits lodged with certain controlled entities of the consolidated entity by gas and electricity consumers. These deposits and accrued interest are normally held by the consolidated 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 consolidated entity and all outstanding amounts are either paid or deducted from the security deposits.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 25 – Borrowings (non-current)				
Secured				
Bank borrowings	0.0	1.7	0.0	0.0
Other borrowings	38.7	0.5	0.0	0.0
Subject to negative pledge				
Bank borrowings	80.0	230.0	80.0	230.0
Medium term notes	300.0	250.0	300.0	250.0
Senior notes	772.7	757.2	772.7	757.2
Other unsecured				
Bank borrowings	550.7	0.0	0.0	0.0
Capital convertible notes	45.0	0.0	0.0	0.0
Natural gas notes	63.6	0.0	0.0	0.0
Lease liabilities (Note 33)	0.0	0.5	0.0	0.0
Amounts owing to wholly-owned controlled entities	0.0	0.0	151.4	53.7
	1,850.7	1,239.9	1,304.1	1,290.9

Significant terms and conditions

Other borrowings (secured) are secured by a floating charge over the assets of a partly-owned controlled entity and are repayable over 15 years.

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

Medium term notes are repayable on maturity in July 2004.

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

Bank borrowings (unsecured) relating to a partly-owned controlled entity are repayable on the expiration of the borrowing facility in March 2003.

Capital convertible notes, issued by a partly-owned controlled entity, are subject to early redemption or conversion at the option of the controlled entity up to the maturity date of October 2001.

Natural gas notes issued by a partly-owned controlled entity are repayable in July 2001.

Note 26 – Provisions (non-current)

Deferred income tax	296.8	290.1	11.6	8.1
Directors' retiring allowances	1.3	1.3	1.3	1.3
Employee entitlements	33.9	18.2	8.0	6.3
Contract restructuring	63.6	21.7	0.0	0.0
Property rental guarantees	1.5	1.6	0.0	0.0
Environmental rehabilitation	0.6	2.9	0.1	0.1
Promotional initiatives	9.5	9.5	0.0	0.0
Other	2.1	0.2	0.0	0.0
	409.3	345.5	21.0	15.8

Note 27 – Unearned revenue (non-current)

Balance of amount transferred from former gas customers' reserve account to offset reductions in network transportation charges	23.6	22.6	0.0	0.0
Other unearned revenue	2.2	5.5	2.2	0.0
	25.8	28.1	2.2	0.0

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 28 – Share capital				
341,990,877 (1999 328,805,759) ordinary shares	1,175.9	1,064.1	1,175.9	1,063.7

During the year the Parent Entity issued:

(i) 3,373,493 shares at \$8.88 per share and 3,677,563 shares at \$7.90 per share pursuant to The Australian Gas Light Company Dividend Reinvestment Plan;

(ii) 5,499,914 shares at \$8.88 per share pursuant to an underwriting agreement in respect of The Australian Gas Light Company Dividend Reinvestment Plan.

(iii) 98,000 shares at \$9.07 per share and 391,500 shares at \$8.62 per share pursuant to the AGL Share Loan Plan; and

(iv) 144,648 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 the share premium reserve and capital redemption reserve at 1 July 1998 have become part of share capital.

Note 29 – Reserves

Share premium	0.0	0.0	0.0	0.0
Asset revaluation	0.0	29.8	1.7	1.7
Capital redemption	0.0	0.0	0.0	0.0
Foreign currency translation	(26.0)	(9.0)	0.0	0.0
Other	0.0	1.3	0.0	0.0
	(26.0)	22.1	1.7	1.7
<i>Movements in reserves</i>				
<i>Share premium</i>				
Balance at beginning of year	0.0	675.7	0.0	675.7
Transfer to share capital (Note 28)	0.0	(675.7)	0.0	(675.7)
Balance at end of year	0.0	0.0	0.0	0.0
<i>Asset revaluation</i>				
Balance at beginning of year	29.8	32.5	1.7	1.7
Reversal of previous movements in associates' reserves on associate becoming a controlled entity	(29.8)	0.0	0.0	0.0
Share of movements in associates' reserves	0.0	(2.7)	0.0	0.0
Balance at end of year	0.0	29.8	1.7	1.7
<i>Capital redemption</i>				
Balance at beginning of year	0.0	0.4	0.0	0.0
Transfer to share capital (Note 28)	0.0	(0.4)	0.0	0.0
Balance at end of year	0.0	0.0	0.0	0.0
<i>Foreign currency translation</i>				
Balance at beginning of year	(9.0)	(3.7)	0.0	0.0
Net exchange gain(loss) arising on translation of foreign currency net assets	(13.2)	(8.6)	0.0	0.0
Net gain(loss) arising on hedging of foreign currency investment	(3.8)	3.3	0.0	0.0
Balance at end of year	(26.0)	(9.0)	0.0	0.0
<i>Other</i>				
Balance at beginning of year	1.3	1.0	0.0	0.0
Reversal of previous movements in associates' reserves on sale of associates	(1.3)	0.0	0.0	0.0
Share of movements in associates' reserves	0.0	0.3	0.0	0.0
Balance at end of year	0.0	1.3	0.0	0.0

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 30 – Outside equity interests in controlled entities				
Share capital	166.4	0.5	0.0	0.0
Accumulated profits/(losses)	133.9	(0.3)	0.0	0.0
	300.3	0.2	0.0	0.0
Note 31 – Construction contracts in progress				
Aggregate of contract costs incurred and recognised profits (less recognised losses) to date	25.6	34.8	0.0	0.0
Less aggregate of consideration received and receivable as progress billings (including retentions) and advances received	(25.5)	(34.9)	0.0	0.0
Advances received	0.0	0.1	0.0	0.0
	0.1	0.0	0.0	0.0
Amounts due from customers for contract work	5.8	6.0	0.0	0.0
Less amounts due to customers for contract work	0.0	0.1	0.0	0.0
	5.8	5.9	0.0	0.0
Note 32 – Capital commitments				
Expenditure contracted for at balance date not reflected in the financial statements				
Capital expenditure in respect of :				
Information technology projects	3.4	0.9	0.0	0.0
Property, plant and equipment	15.7	15.2	10.2	0.1
Construction projects	19.5	12.0	0.0	0.0
Capital commitments in respect of:				
Joint venture operations	2.0	0.0	0.0	0.0
Joint venture entities	3.6	0.0	0.0	0.0
Associates	26.8	0.0	0.0	0.0
Payable not later than one year	71.0	28.1	10.2	0.1
Note 33 – Lease commitments				
Finance leases				
Estimated lease commitments				
Due within 1 year	0.0	0.3	0.0	0.0
Due between 1 and 5 years	0.0	0.6	0.0	0.0
	0.0	0.9	0.0	0.0
Less future finance charges	0.0	0.1	0.0	0.0
Present value of lease payments	0.0	0.8	0.0	0.0
Less due within 1 year (Note 21)	0.0	0.3	0.0	0.0
Non-current liability (Note 25)	0.0	0.5	0.0	0.0

Finance leases comprise leases of motor vehicles and general property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by lease arrangements concerning dividends, additional debt and further leasing.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 33 – Lease commitments (continued)				
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	0.0	17.6	0.0	0.0
Due between 1 and 5 years	0.0	70.4	0.0	0.0
Due after 5 years	0.0	181.0	0.0	0.0
	0.0	269.0	0.0	0.0
<i>Goldline rehabilitation programme</i>				
Due within 1 year	18.6	20.7	0.0	0.0
Due between 1 and 5 years	50.0	91.3	0.0	0.0
Due after 5 years	0.0	4.1	0.0	0.0
	68.6	116.1	0.0	0.0
<i>Other</i>				
Due within 1 year	15.2	11.9	4.4	4.6
Due between 1 and 5 years	40.8	33.6	16.6	14.5
Due after 5 years	9.1	13.4	2.3	5.2
	65.1	58.9	23.3	24.3
	133.7	444.0	23.3	24.3

Operating leases comprise leases of office spaces, transmission pipelines and gas reticulation networks. There are no contingent rental payments due or payable. There are no purchase options and escalation clauses or restrictions imposed by lease arrangements concerning dividends, additional debt and further leasing. Various operating leases have standard lease renewal options.

Note 34 – Contingent liabilities

Bank guarantees in respect of the consolidated entity	157.5	35.4	0.2	0.4
Guarantees in respect of associates	0.0	1.0	0.0	1.0
	157.5	36.4	0.2	1.4

Other contingent liabilities

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

	Consolidated		Parent Entity	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Note 35 – Remuneration of auditors				
Remuneration of the auditor of the Parent Entity for:				
Auditing and reviewing the financial report	542	514	84	75
Other services	3,970 (1)	516	0	38
Remuneration of the auditor of a controlled entity for auditing and reviewing the financial report				
	249	0	0	0

(1) Includes the provision of consultancy and due diligence services relating to the acquisitions and disposals of businesses during the year.

Note 36 – Remuneration of directors and executive officers

Directors' remuneration

Aggregate income paid or payable, or otherwise made available, to directors of:

The Parent Entity

Income other than superannuation and retirement benefits	2,804	1,742	2,804	1,742
Superannuation and retirement benefits	304	248	304	248

Controlled entities*

Income other than superannuation and retirement benefits	5,140	2,006	0	0
Superannuation and retirement benefits	640	283	0	0

8,888	4,279	3,108	1,990
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* Excluding executive officers of the Parent Entity who are only directors of wholly-owned controlled entities.

Number of directors of the Parent Entity whose income, including superannuation and retirement benefits, was within the following bands:

\$000	2000	1999
10 – 20	1	0
60 – 70	2	3
70 – 80	2	2
80 – 90	1	0
100 – 110	0	1
110 – 120	1	0
170 – 180	0	1
180 – 190	1	0
200 – 210	1	0
1,360 – 1,370	0	1
2,230 – 2,240	1	0

	Consolidated		Parent Entity	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

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	26,922	15,131	13,085	7,461
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Superannuation, retirement and termination benefits	2,358	2,233	788	1,138
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29,280	17,364	13,873	8,599
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Note 36 – Remuneration of directors and executive officers (continued)

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

	Consolidated		Parent Entity	
	\$000	2000	2000	1999
110 – 120	0	1	0	0
130 – 140	0	1	0	1
140 – 150	0	1	0	0
150 – 160	0	4	0	1
160 – 170	0	4	0	0
170 – 180	0	10	0	3
180 – 190	0	10	0	1
190 – 200	0	8	0	5
200 – 210	0	3	0	1
210 – 220	0	5	0	1
220 – 230	5	2	1	0
230 – 240	4	4	1	3
240 – 250	1	1	0	1
250 – 260	7	1	1	0
260 – 270	4	1	0	0
270 – 280	4	0	1	0
280 – 290	6	0	2	0
290 – 300	5	0	2	0
300 – 310	5	0	1	0
310 – 320	4	0	2	0
320 – 330	2	1	0	0
330 – 340	0	1	0	1
340 – 350	2	0	0	0
350 – 360	6	2	2	2
360 – 370	1	3	0	1
370 – 380	1	2	1	1
390 – 400	1	1	1	1
420 – 430	1	0	0	0
480 – 490	0	1	0	1
520 – 530	2	0	1	0
540 – 550	1	0	1	0
550 – 560	1	1	1	1
570 – 580	2	0	1	0
590 – 600	1	0	1	0
610 – 620	1	0	0	0
630 – 640	1	0	1	0
680 – 690	0	1	0	1
690 – 700	1	0	1	0
880 – 890	1	0	1	0
890 – 900	1	0	1	0
1,040 – 1,050	1	0	0	0
1,130 – 1,140	1	0	1	0
1,360 – 1,370	0	1	0	1
2,230 – 2,240	1	0	1	0
	74	70	26	27

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 consolidated entity based in Australia.

Note 37 (a) – Controlled entities

Entity	Country of incorporation or formation	Parent Entity's beneficial interest in shares/units	
		2000 %	1999 %
Agex Pty Ltd (d)	Australia	0	100
Agility Communications Pty Limited (formerly East Australian Pipeline Marketing Pty Limited) (c)	Australia	100	50
Agility Management Pty Limited (formerly AGL Gas (Vic) No 3 Pty Limited)	Australia	100	100
Agility Services Pty Limited (formerly AGL Pipelines Management Pty Ltd)	Australia	100	100
Agility Team Build Pty Limited (formerly AGL Engineering Services Pty Limited)	Australia	100	100
AGL (Cawse) Power Pty Limited	Australia	100	100
AGL Chile Operations SA (a)	Chile	100	100
AGL Consultancy Pty Ltd	Australia	100	100
AGL Corporate Services Pty Limited (b)	Australia	100	0
AGL Electricity Limited	Australia	100	100
AGL Electricity (Vic) Pty Limited	Australia	100	100
AGL Energy Sales & Marketing Limited	Australia	100	100
AGL Energy Services Limited (formerly AGL Wholesale Energy Limited)	Australia	100	100
AGL Ethane Investment Pty Limited (b)	Australia	100	0
AGL Finance Pty Limited	Australia	100	100
AGL Foundation Nominees Pty Limited	Australia	100	100
AGL Gas Company (ACT) Limited	Australia	100	100
AGL Gas Networks Limited	Australia	100	100
AGL Gas Trading Pty Limited	Australia	100	100
AGL Gas (Vic) No 1 Pty Limited	Australia	100	100
AGL Gas (Vic) No 2 Pty Limited	Australia	100	100
AGL Gas (Vic) No 4 Pty Limited	Australia	100	100
AGL Gas (Vic) No 5 Pty Limited	Australia	100	100
AGL International (a)	Cayman Islands	100	100
AGL Investments Pty Limited	Australia	100	100
AGL NZ Capital Limited (b)	New Zealand	100	0
AGL NZ Employment Services Limited (a)	New Zealand	74	100
AGL NZ Energy Limited	New Zealand	100	100
AGL NZ Holdings 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 (d)	Australia	0	100
AGL Petroleum Pipelines Limited (d)	Australia	0	100
AGL Pipelines Investments (NSW) Pty Limited (d)	Australia	0	100
AGL Pipelines Investments (Qld) Pty Limited (b)	Australia	100	0
AGL Pipelines Investments (WA) Pty Limited (d)	Australia	0	100
AGL Pipelines Investments Pty Limited (b)	Australia	100	0
AGL Pipelines Limited (d)	Australia	0	100
AGL Pipelines (NSW) Pty Limited (d)	Australia	0	100
AGL Pipelines (NT) Pty Limited (d)	Australia	0	100

Note 37 (a) – Controlled entities (continued)

Entity	Country of incorporation or formation	Parent Entity's beneficial interest in shares/units	
		2000 %	1999 %
AGL Pipelines (Qld) Pty Limited (d)	Australia	0	100
AGL Pipelines (WA) Pty Limited (d)	Australia	0	100
AGL Polska Sp z O O	Poland	100	100
AGL Power Generation (Mid West) Pty Limited	Australia	100	100
AGL Power Generation (WA) Pty Limited	Australia	100	100
AGL Power Generation Pty Limited	Australia	100	100
AGL Retail Energy Limited	Australia	100	100
AGL Service Businesses Pty Limited (b)	Australia	100	0
AGL South Australia Pty Limited (b)	Australia	100	0
AGL Technology Commerce Pty Limited (b)	Australia	100	0
AGL TransACT Pty Limited (b)	Australia	100	0
AGL Wholesale Gas Limited	Australia	100	100
Amadeus Gas Trust (d)	Australia	0	96
Anloe Holdings Limited (c)	New Zealand	100	0
Aspen Properties Limited (c)	New Zealand	100	0
Central Gas Limited (a) (c)	New Zealand	74	38
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	100	51
Energy Waikato Limited (a) (c)	New Zealand	74	38
ETSA Power Corporation (Victoria) Pty Ltd (c)	Australia	100	0
Gaslink Finance Limited (a) (c)	New Zealand	74	38
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 (e)	Australia	0	100
International Oil Proprietary Ltd	Australia	100	100
Inversiones AGL Chile Limitada (a)	Chile	100	100
Korou First Limited (a) (c)	New Zealand	74	38
Liquid Gas Limited (a) (c)	New Zealand	74	38
Liquid Petroleum Gas Leasing Limited (a) (c)	New Zealand	74	38
Liquigas Limited (a) (c)	New Zealand	45	10
LPG Supplies Limited (a) (c)	New Zealand	74	38
Natural Gas Contracts Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Energy Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Equities Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Finance Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Holdings Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Investments Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Loans Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Management Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Nominees Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation of New Zealand Limited (a) (c)	New Zealand	74	38
Natural Gas Corporation Proprietary Limited (a) (c)	New Zealand	74	38
Natural Gas Gisborne Limited (a) (c)	New Zealand	74	38

Note 37 (a) – Controlled entities (continued)

Entity	Country of incorporation or formation	Parent Entity's beneficial interest in shares/units	
		2000 %	1999 %
Natural Gas Limited (a) (c)	New Zealand	74	38
Natural Gas Trading Limited (a) (c)	New Zealand	74	38
Natural Gas Transmission Limited (a) (c)	New Zealand	74	38
Natural Gas Waikato Limited (a) (c)	New Zealand	74	38
Navham Pty Limited	Australia	100	100
New Zealand Cogen Limited (a) (c)	New Zealand	74	38
NGC Gas Retail Limited (a) (c)	New Zealand	74	38
NGC Infrastructure Limited (a) (c)	New Zealand	74	38
NGC Operations Limited (a) (c)	New Zealand	74	38
NGC Projects Limited (a) (c)	New Zealand	74	38
NGC Retail Limited (a) (c)	New Zealand	74	38
NGC Specialist Services Limited (a) (c)	New Zealand	74	38
NT Gas Distribution Pty Limited (d)	Australia	0	96
NT Gas Easements Pty Limited (d)	Australia	0	100
NT Gas Pty Limited (d)	Australia	0	96
Porta-Gas Pty Limited	Australia	100	100
Power New Zealand Ltd (c)	New Zealand	56	0
Propane Gas Pty Limited (a) (c)	New Zealand	74	19
Retirement Management Services Pty Limited (e)	Australia	0	100
Roverton Pty Ltd (d)	Australia	0	100
Sopic Pty Ltd (d)	Australia	0	100
Southpower Ltd (c)	New Zealand	56	0
Stratford Power Ltd (c)	New Zealand	56	0
Tauranga Civic Holdings Limited	New Zealand	100	0
TEC Cobb Ltd (c)	New Zealand	56	0
TEC Southdown Ltd (c)	New Zealand	56	0
Terrace Gardens Properties Pty Limited	Australia	100	100
The North Shore Gas Company Limited	Australia	100	100
Thorstone Pty Limited	Australia	100	100
TransAlta Generation Limited (c)	New Zealand	56	0
TransAlta New Zealand Limited (c)	New Zealand	56	0
TransAlta Operations (NZ) Limited (c)	New Zealand	56	0
Victorian Energy Pty Limited	Australia	100	100
Weldon Bridge Investments Pty Ltd	Australia	100	100
Whangarei Gas Company Limited (a) (c)	New Zealand	74	38

(a) Not audited by Deloitte Touche Tohmatsu or a related firm.

(b) Incorporated during the financial year.

(c) Acquired during the 1999/2000 financial year.

(d) Disposed during the 1999/2000 financial year to the Australian Pipeline Trust.

(e) Disposed during the 1999/2000 financial year.

Note 37 (b) – Acquisition of businesses

Names of businesses acquired	Principal activity	Date of Acquisition	Proportion of shares acquired %	Cost of acquisition \$ m
<i>Controlled Entities</i>				
Natural Gas Corporation Holdings Limited	Transmission, distribution and sale of natural gas	14 July 1999	33	213.4
TransAlta New Zealand Limited	Power generation and retailer of gas and electricity	31 March 2000	76	432.0
<i>Businesses</i>				
ETSA Power electricity retail business	Electricity retailer	28 January 2000	–	175.0

Further details of the acquisition of businesses are disclosed in Note 43(e)

Note 37 (c) – Disposal of controlled entities

- (a) During the financial year the consolidated entity disposed of its 100% ownership interest in Industrial Pipe Systems Pty Limited and its associated interests in Changchun Chinaust Automotive Spare Parts Corporation Limited, Chinaust Plastics Corporation Limited and Shanghai Chinaust Plastics Corporation Limited. The aggregate after tax given to the consolidated entity on the disposal of the businesses was \$2.0 million.
- (b) During the financial year the consolidated entity disposed of its 100% ownership interest in AGL Pipelines Limited and related entities to the Australian Pipeline Trust. The aggregate after tax gain to the consolidated entity on the disposal of the businesses was \$161.9 million.

Further details of the disposal of controlled entities are disclosed in Note 43(f).

Note 38 – Material interests in unincorporated joint venture operations

Joint venture	Interest of consolidated entity		Principal activity
	2000 %	1999 %	
Carpentaria pipeline	(a)	70	Gas pipeline operation – Queensland
Kapuni Energy	37	0	Electricity and steam generation – New Zealand
Mid West energy	50	50	Power generation – Western Australia
Mid West pipeline	(a)	50	Gas pipeline operation – Western Australia
Roma to Brisbane pipeline	(a)	85	Gas pipeline operation – Queensland
Southdown Cogeneration	28	0	Electricity and steam generation – New Zealand
Silverstream	26	0	Electricity generation – New Zealand

- (a) During the financial year the consolidated entity disposed of its interests in the joint venture operation to the Australian Pipeline Trust.

Note 38 – Material interests in unincorporated joint venture operations (continued)

The consolidated entity's share of the assets and liabilities of the joint venture operations is included in the balance sheet under the following classifications

	Consolidated	
	2000 \$m	1999 \$m
Current assets		
Receivables	5.9	0.3
Other	0.0	0.1
Total current assets	5.9	0.4
Non-current assets		
Property, plant and equipment	55.5	184.1
Total non-current assets	55.5	184.1
Total assets	61.4	184.5
Current liabilities		
Accounts payable	5.2	7.2
Total current liabilities	5.2	7.2
Non-current liabilities		
Other	44.8	0.0
Total non-current liabilities	44.8	0.0
Total liabilities	50.0	7.2
Net investment in joint venture operations	11.4	177.3

The consolidated entity's share of capital expenditure commitments and contingent liabilities of joint venture operations are disclosed in Notes 32 and 34 respectively.

Note 39 – Material interests in joint venture entities (JVE)

Names of JVE	Principal activities of JVE	Consolidated entity's ownership interests in JVE		Consolidated entity's carrying amounts of investments in JVE		Reporting dates of JVE
		2000	1999	2000	1999	
		%	%	\$m	\$m	
Auscom Holdings Pty Limited	Distribution and sale of LPG	50.0	(a)	65.2	(a)	31 December
Empresa de Gas de la V Region SA	Distribution and sale of natural gas	50.0	(a)	37.1	(a)	31 December
Inversiones Plasticas SA	Manufacture and sale of plastic and nylon pipes	50.0	(a)	2.8	(a)	31 December
Essential Energy Services Pty Limited	Maintenance and servicing of electrical appliances	50.0	0.0	0.5	0.0	30 June
				105.6	0.0	

(a) In accordance with revised accounting standard AASB1006 "Interests in Joint Ventures", the consolidated entity's interest in the joint venture entity, previously disclosed under Note 40 – "Material interests in associates", is now disclosed separately under "Material interests in joint venture entities"

Note 39 – Material interests in joint venture entities (JVE) (continued)

	Consolidated	Parent
	2000	Entity
	\$m	2000
		\$m
<i>Consolidated entity's share of assets and liabilities:</i>		
Current assets	45.6	0.0
Non-current assets	253.8	0.0
Current liabilities	(40.0)	0.0
Non-current liabilities	(162.9)	0.0
Net assets	<u>96.5</u>	<u>0.0</u>
<i>Consolidated entity's share of joint venture entities':</i>		
Operating revenues	206.9	0.0
Operating expenses	(204.1)	0.0
Operating profits before tax	2.8	0.0
Income tax benefit attributable to operating profits	1.0	0.0
Profit after tax	<u>3.8</u>	<u>0.0</u>
The consolidated entity's share of capital expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 32 and 34 respectively.		
<i>Retained profits and reserves of the consolidated entity attributable to joint venture entities:</i>		
At beginning of financial year		
Retained profits	0.0	0.0
Reserves	0.0	0.0
At end of financial year		
Retained profits	(3.4)	0.0
Reserves	<u>0.1</u>	<u>0.0</u>
<i>Movements in the carrying amount of investments in joint venture entities:</i>		
At beginning of financial year	0.0	0.0
Transfers from associates on adoption of revised standard on joint ventures (Note 40)	85.1	0.0
Additional investments in joint venture entities	28.1	0.0
Share of profits	3.8	0.0
Dividends received	(11.4)	0.0
At end of financial year	<u>105.6</u>	<u>0.0</u>

Comparative information has not been disclosed on the initial adoption of the revised accounting standard AASB 1006 "Interests in Joint Ventures".

Except as disclosed in Note 46, the Parent Entity is not aware of any significant events or transactions which have occurred after the reporting date of a joint venture entity which could materially affect the financial position or operating performance of that joint venture entity for the next financial year.

The Parent Entity is not aware of any dissimilar accounting policies adopted by a joint venture entity that would materially affect the amounts determined as being the consolidated entity's share of the net assets, the profit or loss and the reserves of the joint venture entity.

Note 40 – Material interests in associates

Names of associates	Principal activities of associates	Consolidated entity's ownership interests in associates		Consolidated entity's carrying amounts of investments in associates		Reporting dates of associates
		2000 %	1999 %	2000 \$m	1999 \$m	
Auscom Holdings Pty Limited	Distribution and sale of LPG	(a)	50.0	0.0	42.1	31 December
Australian Pipeline Trust	Transmission of natural gas and management of gas pipelines	30.0	0.0	36.6	0.0	30 June
Changchun Chinaust Automotive Spare Parts Corporation Limited	Manufacture and sale of nylon tubing	(b)	42.5	0.0	0.9	31 December
Chinaust Plastics Corporation Limited	Manufacture and sale of plastic and nylon tubing and pipes	(b)	50.0	0.0	6.4	31 December
East Australian Pipeline Limited	Transmission of natural gas and ethane	(b)	51.0	0.0	98.3	30 June
Empresa de Gas de la V Region SA	Distribution and sale of natural gas	(a)	50.0	0.0	40.6	31 December
Inversiones Plasticas SA	Manufacture and sale of plastic and nylon pipes	(a)	50.0	0.0	2.5	31 December
Natural Gas Corporation Holdings Limited	Transmission, distribution and sale of natural gas	(c)	38.3	0.0	175.7	30 June
SCP Investments (No 1) Pty Limited	Transmission of natural gas	(b)	45.0	0.0	113.7	30 June
Shanghai Chinaust Plastics Corporation Limited	Manufacture and sale of plastic and nylon tubing and pipes	(b)	50.0	0.0	2.0	31 December
TrustPower Limited	Generation and sale of electricity	13.7*	0.0	125.5	0.0	31 March
Wanganui Gas Limited	Distribution of gas	25.1	0.0	1.7	0.0	30 June
				<u>163.8</u>	<u>482.2</u>	

* Relevant interest is 20.5%

Note 40 – Material interests in associates (continued)
Summarised assets, liabilities and profits of associates

Names of associates	Assets		Liabilities		Profits after tax	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Auscom Holdings Pty Limited (a)	0.0	371.4	0.0	287.0	0.0	13.8
Australian Pipeline Trust Limited	1,379.4	0.0	904.5	0.0	0.9	0.0
East Australian Pipeline Limited (b)	0.0	495.9	0.0	316.5	0.0	35.1
Empresa de Gas de la V Region SA (a)	0.0	111.6	0.0	56.3	0.0	(2.6)
Natural Gas Corporation Holdings Limited (c)	0.0	804.8	0.0	362.9	0.0	49.3
SCP Investments (No 1) Pty Limited (b)	0.0	575.8	0.0	326.7	0.0	10.2
TrustPower Limited	636.1	0.0	170.0	0.0	29.5	0.0
Other	5.3	52.8	1.7	26.6	0.9	5.4
	2,020.8	2,412.3	1,076.2	1,376.0	31.3	111.2

(a) Defined as a joint venture entity on adoption of revised accounting standard AASB 1006 "Interests in Joint Ventures" – refer Note 39.

(b) Disposed during the 1999/2000 financial year.

(c) Became a partly-owned controlled entity on 14 July 1999.

	Consolidated	
	2000 \$m	1999 \$m
<i>Consolidated entity's share of associates':</i>		
Operating profits before tax	70.7	72.2
Income tax expense attributable to operating profits	(10.8)	(25.0)
Profits after tax	59.9	47.2
The consolidated entity's share of capital expenditure commitments and contingent liabilities of associates are disclosed in Notes 32 and 34 respectively.		
<i>Retained profits and reserves of the consolidated entity attributable to associates:</i>		
At beginning of financial year		
Retained profits	58.0	47.9
Reserves	31.2	33.5
At end of financial year		
Retained profits	2.8	58.0
Reserves	0.7	31.2
<i>Movements in the carrying amount of investments in associates:</i>		
At beginning of financial year	482.2	318.4
Transfers to joint venture entities on adoption of revised standard on joint ventures (Note 39)	(85.1)	0.0
Additional investments in associates	115.0	159.2
Disposal of investments in associates	(213.4)	0.0
Share of profits	59.9	47.2
Dividends received	(65.8)	(37.0)
Share of movements in reserves	0.7	(2.3)
Movements due to changes in foreign currency exchange rates	(4.2)	(3.3)
Adjustment on associate becoming a controlled entity	(175.7)	0.0
Adjustment on investment becoming an associate	50.2	0.0
At end of financial year	163.8	482.2

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

The Parent Entity is not aware of any dissimilar accounting policies adopted by an associate that would materially affect the amounts determined as being the consolidated entity's share of the net assets, the profit or loss and the reserves of the associate.

Note 41 – Employee entitlements

Superannuation plans

Details of defined benefit plans sponsored by the Parent Entity and other entities in the consolidated entity

	Date of last actuarial assessment	Plan assets (a) \$m	Accrued benefits \$m	Net surplus \$m	Vested benefits \$m
AGL Superannuation and Benefits Fund	30 June 1999	154.8	139.0	15.8	134.3
AGL Executive Superannuation Fund (b)	30 June 1997	3.1	1.8	1.3	1.7
Equisuper Fund (formerly the Victorian Energy Industry Superannuation Fund)	31 December 1999	42.7	35.7	7.0	35.7
Electricity Industry Superannuation Scheme (c)	29 February 2000	6.7	18.6	(11.9)	18.0
Natural Gas Corporation Retirement Plan	30 June 1998	4.6	3.4	1.2	3.2
		<u>211.9</u>	<u>198.5</u>	<u>13.4</u>	<u>192.9</u>

(a) At net market value.

(b) At 30 June 1999 the plan assets were \$2.4 million and the vested benefits were \$2.1 million.

(c) At 30 June 2000 a provision for \$11.6 million has been recognised in the accounts of a controlled entity to cover the liability in respect of the unfunded employer share of employee retirement benefits of the scheme.

Contributions by employer entities in the consolidated entity to defined benefit superannuation plans during the year amounted to \$14.5 million (1999 \$8.7 million).

Share ownership plans

(a) The Parent Entity currently operates three employee share ownership plans, the AGL Share Reward Plan, the AGL Share Loan Plan and the AGL Share Purchase Plan.

(i) All permanent employees of entities in the consolidated 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 1998, November 1998 and November 1999. 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 Parent 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 consolidated entity measured against a number of indicators.

A total of 487,890 ordinary shares of the Parent Entity has been issued to employees pursuant to the plan between the date of its inception and 30 June 2000, including 144,648 shares issued during the 1999/00 financial year. The total market value of these 144,648 shares at the issue date was \$1,312,000 and the total amount receivable from employees for the shares was \$nil.

An amount of \$488,000 for shares issued pursuant to the plan has been recognised as an expense in the relevant financial year.

(ii) All permanent employees of entities of the consolidated entity nominated from time to time by the directors of the Parent Entity are offered participation in the AGL Share Loan Plan. The plan was approved by Proprietors on 21 October 1997 and three issues of shares have been made to employees, in November 1997, November 1998 and November 1999. 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 5% discount on current market value;
- the purchase price financed by way of an interest free limited recourse loan provided by the Parent 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.

Note 41 – Employee entitlements (continued)

At 30 June 2000 there were 79 participants in the plan involving a total of 1,164,525 ordinary shares of the Parent Entity. A total of 1,195,500 ordinary shares of the Parent Entity has been acquired by employees pursuant to the plan between the date of its inception and 30 June 2000, including 489,500 shares acquired during the 1999/00 financial year. The total market value of these 489,500 shares at the issue date was \$4,440,000 and the total amount receivable from employees for these shares was \$4,264,000. Outstanding loans to participants at 30 June 2000 amounted to \$10,370,000 (1999 \$6,780,000).

(iii) All permanent employees of entities in the consolidated entity nominated from time to time by the directors of the Parent Entity are offered participation in the AGL Share Purchase Plan. Directors of the Parent 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 Parent Entity out of their remuneration entitlements, subject to certain limitations as to the maximum level of remuneration entitlements that may be applied to the purchase of the shares. Other conditions relating to the acquisition of shares pursuant to the plan are –

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

At 30 June 2000, there were 113 participants in the plan involving a total of 180,402 ordinary shares of the Parent Entity. There is an ongoing invitation for directors and employees to acquire additional shares. A total of 186,289 ordinary shares of the Parent Entity has been acquired by directors and employees pursuant to the plan between the date of its inception and 30 June 2000, including 97,403 shares acquired during the 1999/00 financial year. The total market value of these 97,403 shares at the acquisition dates was \$875,000 and the total amount received from directors and employees for these shares was \$875,000.

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.

(iv) Prior to the 1997/98 financial year, the Parent 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 consolidated 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 Parent Entity, the last issue being in November 1996. At 30 June 2000 there were no participants in the plan. Outstanding loans to participants at 30 June 2000 amounted to \$nil (1999 \$72,000).

Certain senior employees of entities in the consolidated 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 Parent Entity, the last issue being in November 1996. At 30 June 2000 there were 46 participants in the plan involving a total of 2,033,900 ordinary shares of the Parent Entity. Outstanding loans to participants at 30 June 2000 amounted to \$6,716,000 (1999 \$7,526,000).

(b) TransAlta New Zealand Limited (TANZ), a controlled entity, operates an Employee Share Ownership Scheme. All employees of TANZ or any of its subsidiaries are entitled to participate in the scheme. The scheme, which was established on 1 August 1997, entitles employees to subscribe for and pay for fully paid ordinary shares in TANZ on a monthly basis at a 5% discount on current market value.

The maximum number of shares that could be issued under the prospectus dated 1 April 1998 was 200,000 shares up to 31 March 1999. A further 400,000 shares have been approved under a revised prospectus dated 1 April 1999 for the period 1 April 1999 to 31 March 2001. A total of 247,631 ordinary shares of TANZ has been acquired by employees pursuant to the scheme between the date of establishment and 30 June 2000, including 33,380 shares acquired during the 1999/00 financial year. The total market value of these 33,380 shares at the acquisition dates was NZ\$74,293 and the total amount received from employees for these shares was NZ\$70,579.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 41 – Employee entitlements (continued)				
Aggregate employee entitlement liability	83.9	36.1	16.3	9.0

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

Note 42 – Additional related party disclosures

Transactions with directors/director-related entities

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

	Consolidated		Parent Entity		Names of directors
	2000 \$000	1999 \$000	2000 \$000	1999 \$000	
Interest-free loans pursuant to the AGL Share Loan Plan and The Australian Gas Light Company Management Share Plan, repayable out of the proceeds from dividends on the shares issued pursuant to the plans					WR Armitage, PL Beeren, LF Bleasel, PD Bolding, RS Clare, LJ Fisk, JA Fletcher, MA Fraser, SG Hattersley, GW Hollings, PM James, GJW Martin, JK McDonald, SP Ohl, JG Pullar and IC Woodward.
Aggregate loans advanced	1,348	1,115	1,348	1,115	
Aggregate loan repayments received	521	993	521	993	
Interest-free loans pursuant to The AGL Employee Share Plan, repayable monthly over 3 years (fully repaid during the 1999/00 year)					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	2	5	2	5	

(b) Transactions with directors (or director-related entities) of the Parent Entity and its controlled entities within a normal employee or customer relationship, on terms and conditions no more favourable than if the consolidated 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 consolidated entity.
 Sale of energy and appliances to directors and director-related entities.

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

	Ordinary shares of the Parent Entity	
	2000 000	1999 000
Aggregate number acquired during the year (i)	72	46
Aggregate number disposed of during the year (i)	0	0
Aggregate number held as at the end of the year	884	818

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

Note 42 – Additional related party disclosures (continued)

Transactions between the Parent 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 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.

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

M J Phillips	Sir Ronald A Brierley	G J Reaney
M R G Johnson	A B Daniels (appointed 24 August 1999)	
L F Bleasel	E F Herbert (retired 23 August 1999)	
D C K Allen	C J Hewson	

Transactions with other related entities

		2000	1999
		\$m	\$m
Auscom Holdings Pty Limited	A controlled entity subscribed for additional ordinary shares in Auscom Holdings Pty Limited on arm's length terms and conditions	27.5	0.0
Australian Pipeline Trust	The consolidated entity sold to the Trust all of the issued shares in the capital of AGL Pipelines Limited and related entities	351.5	0.0
	The Parent Entity subscribed for units in the Trust on arm's length terms and conditions	146.4	0.0
	A controlled entity has been contracted by the Trust to provide technical and marketing services under a Pipeline Management Agreement on normal commercial terms and conditions	1.4	0.0
	The Parent Entity is party to a Pipeline Development Agreement which sets out the terms governing the future transfer of assets between AGL and the Trust	–	–
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	98.2	94.9
	Controlled entities provided technical and management services to East Australian Pipeline Limited, on normal commercial terms and conditions	8.9	11.4
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	10.1	7.5

Note 42 – Additional related party disclosures (continued)
Transactions with other related entities (continued)

		2000 \$m	1999 \$m
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	1.1	19.8
	A controlled entity subscribed for shares in Empresa de Gas de la V Region SA, on arm's length terms and conditions	0.0	16.2
Natural Gas Corporation Limited (i)	The Parent 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	0.0	1.2
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)	0.0	109.1

(i) Became a party-owned controlled entity on 14 July 1999.

In addition, a partly-owned controlled entity supplied natural gas amounting to \$1.8 million to an associate on normal terms and conditions.

Note 43 – Cash flow information

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
(a) Reconciliation of cash				
Cash	31.1	20.0	6.2	14.4
Bank overdrafts	(0.3)	(0.6)	(0.3)	(0.3)
Money market borrowings	(8.2)	0.0	(8.1)	0.0
	22.6	19.4	(2.2)	14.1
(b) Financing facilities				
Credit standby arrangements				
Amounts used	688.8	280.0	138.1	280.0
Amounts unused	1,140.2	445.0	1,120.0	445.0
	1,829.0	725.0	1,258.1	725.0
Other financing arrangements – amounts used	1,361.7	1,055.4	1,157.7	1,052.2
Credit standby arrangements had the following maturity pattern and were able to be drawn down without restriction.				
Not later than 1 year	1,058.1	100.0	1,058.1	100.0
Later than 1 year, not later than 5 years	770.9	625.0	200.0	625.0

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, finance leases, term loans, natural gas notes, capital convertible notes 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 2000.

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 43 – Cash flow information (continued)				
(d) Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	462.6	221.4	354.6	201.4
Equity share of associates' profits	(59.9)	(47.2)	0.0	0.0
Equity share of joint venture entities' profits	(3.8)	0.0	0.0	0.0
Dividends received from associates	65.8	39.2	0.0	0.0
Dividends received from joint venture entities	11.4	0.0	0.0	0.0
Depreciation, amortisation and diminution in value of assets	182.7	113.8	3.4	2.3
(Decrease) increase in provisions	(0.4)	(3.9)	0.3	2.0
Profit on sale of property, plant and equipment	(15.5)	(0.2)	(14.1)	0.0
Profit on disposal of controlled entities	(142.6)	(0.1)	(195.3)	0.0
Other non-cash items included in operating profit	0.0	(2.7)	0.0	0.0
Changes in assets and liabilities				
(Increase) decrease in receivables	(106.2)	(45.4)	(8.4)	15.6
Decrease in inventories	10.5	1.2	0.0	0.0
(Increase) decrease in other assets	3.8	(3.5)	0.4	(0.7)
Increase (decrease) in creditors	29.1	34.6	11.2	(2.6)
Increase (decrease) in other liabilities	(45.5)	(19.3)	19.4	0.2
(Increase) decrease in interest receivable accrued	0.4	4.5	0.9	2.0
Increase (decrease) in net interest payable accrued/prepaid	0.3	2.8	(4.1)	0.9
Increase in income taxes payable	(19.4)	2.0	(1.0)	0.9
Net cash provided by operating activities	373.3	297.2	167.3	222.0
(e) Businesses acquired by the consolidated entity (refer Note 37(b))				
Consideration				
Cash	820.4	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0
	820.4	0.0	0.0	0.0
Fair value of net assets of entities acquired				
Cash	28.6	0.0	0.0	0.0
Receivables	289.0	0.0	0.0	0.0
Investments	3.7	0.0	0.0	0.0
Gas entitlements	155.9	0.0	0.0	0.0
Property, plant and equipment	1,338.0	0.0	0.0	0.0
Intangibles	267.6	0.0	0.0	0.0
Future income tax benefits	20.4	0.0	0.0	0.0
Other assets	36.3	0.0	0.0	0.0
Accounts payable	(317.2)	0.0	0.0	0.0
Unearned revenue	(52.3)	0.0	0.0	0.0
Borrowings	(587.8)	0.0	0.0	0.0
Provisions	(100.2)	0.0	0.0	0.0
	1,082.0	0.0	0.0	0.0
Proportion of net assets acquired attributable to Proprietors of the Parent Entity	657.5	0.0	0.0	0.0
Adjustment relating to existing investment in controlled entity	55.4	0.0	0.0	0.0
Goodwill on acquisition	107.5	0.0	0.0	0.0
	820.4	0.0	0.0	0.0
Outflow of cash to acquire entities, net of cash balances acquired				
Cash consideration	820.4	0.0	0.0	0.0
Less cash balances acquired	10.8	0.0	0.0	0.0
Outflow of cash	809.6	0.0	0.0	0.0

	Consolidated		Parent Entity	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Note 43 – Cash flow information (continued)				
(f) Businesses disposed of by the consolidated entity (refer Note 37(c))				
Details of disposals are as follows:				
Consideration				
Cash	359.9	0.0	340.0	0.0
Receivables	11.5	0.0	11.5	0.0
	371.4	0.0	351.5	0.0
Net assets of entities disposed of				
Cash	10.6	0.0	0.0	0.0
Receivables	47.9	0.0	0.0	0.0
Inventories	6.3	0.0	0.0	0.0
Investments	848.4	0.0	136.2	0.0
Property, plant and equipment	114.5	0.0	0.0	0.0
Future income tax benefits	3.7	0.0	0.0	0.0
Other assets	23.0	0.0	0.0	0.0
Accounts payable	(33.3)	0.0	0.0	0.0
Borrowings	(886.1)	0.0	0.0	0.0
Provisions	(102.7)	0.0	0.0	0.0
	32.3	0.0	136.2	0.0
Proportion of net assets disposed of attributable to Proprietors of the Parent entity	32.3	0.0	136.2	0.0
Inflow of cash on disposal of entity, net of cash balances disposed of				
Cash consideration	359.9	0.0	340.0	0.0
Less cash balances disposed of	10.6	0.0	0.0	0.0
Inflow of cash in respect of entities disposed of during the year	349.3	0.0	340.0	0.0

Note 44 – Economic dependency

(a) The consolidated 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, and another consortium of producers for the supply of natural gas from the Maui gas field in New Zealand. Long term contracts protect the continuity of supply in both cases.

The consolidated entity has an obligation to pay the consortia of producers for a specified minimum quantity of gas each contract year, irrespective of the quantity actually supplied by the producers. The consolidated 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 consolidated 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 45 – Additional financial instruments disclosures

Derivative financial instruments

Objectives and significant terms and conditions

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

(a) Interest rate risk management

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

The consolidated 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 consolidated entity to raise short and long term borrowings at floating rates and effectively swap them into fixed rates. Under interest rate swaps, the consolidated 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 consolidated entity has a policy which allows the fixed/floating rate ratio to be adjusted between certain parameters depending on the perceived direction of interest rates. Swaps may sometimes be terminated or offset to achieve the desired fixed/floating portfolio mix.

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

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

	Average interest rates		Notional principal amounts	
	2000 %	1999 %	2000 \$m	1999 \$m
Less than 1 year	6.0	7.9	481.0	65.0
1 to 5 years	6.8	6.4	1,596.0	971.6
Longer than 5 years	6.7	5.4	738.6	881.2
			2,815.6	1,917.8

The interest rate contracts in place at the reporting date principally relate to the consolidated 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 (\$2,815.6 million) exceeding the Australian dollar equivalent of the borrowings (\$1,705.6 million).

(b) Foreign exchange risk management

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

Hedges of foreign currency transactions

The consolidated 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 consolidated entity's foreign currency hedging activities is to protect the consolidated 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 consolidated 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 2000 include an aggregate \$2.8 million (1999 \$1.4 million) due in foreign currencies (principally US dollars) which has not been hedged.

Note 45 – Additional financial instruments disclosures (continued)

Hedges of foreign currency borrowings

The consolidated entity has borrowings denominated in foreign currencies. It is the consolidated 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 consolidated entity's outstanding foreign exchange contracts in respect of borrowings at the reporting date are detailed in the following table.

	2000	1999
	\$m	\$m
Buy United States dollars		
Less than 6 months, at rates averaging US\$0.5802 (1999 US\$0.6661)	172.4	154.3
8 to 9 years, at rates averaging US\$0.6605 (1999 US\$0.6605)	605.6	605.6
	778.0	759.9

The net deferred gain on hedges of foreign currency borrowings at 30 June 2000 of \$0.3 million (1999 \$0.1 million) will be recognised in the profit and loss statement within 6 months of the reporting date.

Hedges of foreign currency investments

The consolidated entity has foreign currency investments of both an equity and debt nature. It is the consolidated 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 consolidated entity's outstanding foreign exchange contracts in respect of investments at the reporting date are detailed in the following table.

	2000	1999
	\$m	\$m
Sell New Zealand dollars		
Less than 6 months, at rates averaging NZ\$1.2538 (1999 NZ\$1.2277)	195.0	141.2
Sell United States dollars		
Less than 6 months, at rates averaging US\$0.6002 (1999 US\$0.6567)	17.1	22.6
	212.1	163.8

The net deferred gain on hedges of foreign currency investments at 30 June 2000 of \$0.2 million (1999 \$0.1 million) will be recognised in the profit and loss statement within 6 months of the reporting date.

Loans receivable at 30 June 2000 include an aggregate \$1.4 million (1999 \$8.8 million) due in a foreign currency (US dollars) 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. The current market vesting contracts expire in December 2000 and December 2002. 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 consolidated entity to actively manage the exposure arising from its forecast contestable load. In doing so, the consolidated entity has entered various hedging contracts with individual market participants. Any unhedged position exposes the consolidated entity to pool price variation. The consolidated 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 consolidated entity's outstanding electricity hedging contracts at the reporting date are detailed in the following table.

	Face values	
	2000 \$m	1999 \$m
Note 45 – Additional financial instruments disclosures (continued)		
Vesting contracts (franchise load)		
Less than 1 year	245.8	0.0
1 to 5 years	380.2	88.7
Other contracts (contestable load)		
Less than 1 year	376.1	73.7
1 to 5 years	460.9	127.2
Longer than 5 years	204.6	23.4
	<u>1,667.6</u>	<u>313.0</u>

The net unrecognised gain in respect of electricity hedging contracts at 30 June 2000 was \$91.9 million (1999 \$18.4 million gain). All contracts are due for settlement within 11 years of the reporting date.

(d) Credit risk

The consolidated 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 consolidated entity does not require collateral or other security to support such obligations. At 30 June 2000, the consolidated 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 four individual counterparties each of more than \$10.0 million. Amounts receivable by the consolidated entity at the reporting date are detailed in the following table.

	2000 \$m	1999 \$m
Amounts receivable in respect of:		
Interest rate contracts	8.1	11.8
Foreign exchange contracts	70.7	4.2
Electricity hedging contracts	146.9	73.3
	<u>225.7</u>	<u>89.3</u>

(e) Equity market value risk management

The consolidated entity has entered into a series of equity performance agreements with a third party. These agreements are commitments to either receive or make payments in the future based on the movement of a defined underlying asset amount. The consolidated entity has entered these arrangements as a hedge against any future adverse movements in the market value of certain assets.

The net unrecognised loss in respect of the equity performance agreements at 30 June 2000 was \$32.7 million. All agreements are currently due to be settled within the next twelve months.

(f) Liquidity risk

Liquidity risk relating to the use of derivative instruments arises from possible future adverse changes in market conditions. In such circumstances, the consolidated 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 consolidated entity only utilises highly liquid derivative markets, although illiquidity in certain market conditions cannot be entirely avoided.

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

Note 45 – Additional financial instruments disclosures (continued)

Net fair values

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

	Note	Carrying amounts		Net fair values	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
<i>Financial assets</i>					
Traded on organised markets					
Shares in unrelated entity	15(a)	0.0	50.2	0.0	65.2
Inscribed stock	10	0.0	0.1	0.0	0.1
		0.0	50.3	0.0	65.3
Not readily traded on organised markets					
Cash (including deposits at call)	–	31.1	20.0	31.1	20.0
Debtors *	8 and 13	459.8	170.0	459.5	171.1
Unbilled gas and electricity revenue	8	143.4	112.1	143.4	112.1
Loans receivable	8 and 13	22.5	18.5	22.5	18.5
Other receivables	8 and 13	56.3	59.8	59.8	53.5
Interest in partnership	15(b)	10.5	34.9	23.9	45.8
Favourable interest rate contracts	–	0.0	0.0	8.1	11.8
Favourable electricity hedging contracts	–	0.0	0.0	146.9	73.3
		723.6	415.3	895.2	506.1
		723.6	465.6	895.2	571.4
* Includes receivables in respect of favourable foreign exchange contracts		6.5	3.1	6.2	4.2
<i>Financial liabilities</i>					
Not readily traded on organised markets					
Creditors	20	465.4	207.1	465.4	207.1
Other payables	20 and 24	25.2	27.8	25.2	27.8
Bank borrowings	21 and 25	680.7	281.9	680.7	280.7
Natural gas notes	21 and 25	115.5	0.0	107.7	0.0
Capital convertible notes	21 and 25	45.0	0.0	45.9	0.0
Bank overdrafts	21	0.3	0.6	0.3	0.6
Promissory notes	21	85.0	45.0	84.6	44.9
Medium term notes	25	300.0	250.0	306.5	256.1
Senior notes	25	772.7	757.2	753.7	714.7
Other borrowings	21 and 25	51.6	0.5	51.6	0.5
Lease liabilities	21 and 25	0.0	0.8	0.0	0.8
Unfavourable interest rate contracts	–	0.0	0.0	32.0	45.9
Unfavourable electricity hedging contracts	–	0.0	0.0	55.0	54.9
Unfavourable equity performance agreements	–	0.0	0.0	32.7	0.0
		2,541.4	1,570.9	2,641.3	1,634.0

Note 45 – 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, electricity hedging contracts and equity performance agreements – 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 consolidated entity's exposure to interest rate risk and the effective interest rates on financial instruments at the reporting date are detailed in the following table.

	Weighted average effective interest rate %	Floating interest rate \$m	Fixed interest rate maturities			Non- interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	more than 5 years \$m		
2000							
<i>Financial assets</i>							
Cash (including deposits at call)	4.5	17.2				13.9	31.1
Debtors	–					459.8	459.8
Unbilled gas and electricity revenue	–					143.4	143.4
Loans receivable	7.0	6.0		1.9		14.6	22.5
Other receivables	8.1	41.4				14.9	56.3
Interest in partnership	–					10.5	10.5
Interest rate contracts (a) (b)	5.9	90.7	(210.0)	75.0	44.3		0.0
		155.3	(210.0)	76.9	44.3	657.1	723.6
<i>Financial liabilities</i>							
Creditors	–					465.4	465.4
Other payables	0.3	16.5				8.7	25.2
Bank borrowings	6.4	550.7	50.0	80.0			680.7
Bank overdrafts	9.3	0.3					0.3
Promissory notes	6.2		85.0				85.0
Medium term notes	6.9			300.0			300.0
Senior notes	6.6			167.1	605.6		772.7
Other borrowings	7.5	51.6					51.6
Natural gas notes	13.9		51.9	63.6			115.5
Capital convertible notes	9.8			45.0			45.0
Interest rate contracts (a) (c)	6.9	250.0	271.0	836.8	(1,357.8)		0.0
Equity performance agreements (a)	6.3	131.9					131.9
		1,001.0	457.9	1,492.5	(752.2)	474.1	2,673.3

(a) Notional principal amounts.

(b) Comprises \$500.7 million of fixed to floating swaps offset by \$410.0 million of floating to fixed swaps.

(c) Comprises \$1,319.9 million of floating to fixed swaps offset by \$585.0 million of fixed to floating swaps.

Note 45 – Additional financial instruments disclosures (continued)

	Weighted average effective interest rate %	Floating interest rate \$m	Fixed interest rate maturities			Non- interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	more than 5 years \$m		
<i>Financial assets</i>							
Cash (including deposits at call)	4.8		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
		320.6	12.1	185.3	(452.3)	399.9	465.6
<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
		(147.5)	160.5	865.5	476.7	215.7	1,570.9

(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.

Maximum credit risk exposure

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

Note 46 – Events occurring after reporting date and not recognised in the financial report

(a) On 5 July 2000 the consolidated entity acquired the remaining 50% interest in Empresa de Gas de la V Region SA (Gas Valpo) for \$36.6 million. Gas Valpo, previously equity accounted by the consolidated entity as a joint venture entity, will be consolidated as a wholly-owned controlled entity as from the date of acquisition.

(b) On 2 August 2000 Natural Gas Corporation, a controlled entity, made an offer to purchase the Hutt Mana Energy Trust's 14.6% interest in TransAlta New Zealand Limited.

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 Parent Entity and the consolidated entity.

The directors also declare that, in their opinion:

- (a) there are reasonable grounds to believe that the Parent 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, 24 August 2000

Scope

We have audited the financial report of The Australian Gas Light Company for the financial year ended 30 June 2000 as set out on pages 2 to 49. 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 issued in Australia 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 2000 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, 24 August 2000

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).