# Consolidated Statement of Financial Performance

for the year ended 30 June 2001

| | 2001 $m | 2000 $m |
|---|---|---|
| Revenue from ordinary activities | **3,498.9** | 2,745.4 |
| Equity accounted share of profits of associates and joint venture entities | **41.4** | 63.7 |
| Expenses from ordinary activities | **(3,046.8)** | (2,018.7) |
| **Operating profit from ordinary activities before borrowing costs, depreciation and amortisation** | **493.5** | 790.4 |
| Depreciation and amortisation | **(198.2)** | (151.9) |
| **Operating profit from ordinary activities before borrowing costs** | **295.3** | 638.5 |
| Borrowing costs | **(181.9)** | (152.0) |
| **Operating profit from ordinary activities before income tax** | **113.4** | 486.5 |
| Income tax attributable to ordinary activities | **(76.9)** | (23.8) |
| **Operating profit from ordinary activities after income tax** | **36.5** | 462.7 |
| Outside equity interests in operating profit after income tax | **78.9** | (12.7) |
| **Operating profit after income tax attributable to Proprietors of the Parent Entity** | **115.4** | 450.0 |
| Increase(decrease) in foreign currency translation reserve arising on translation of financial reports of foreign controlled operations | **12.3** | (17.0) |
| Total revenue, expense and valuation adjustments attributable to Proprietors of the Parent Entity recognised directly in equity | **12.3** | **(17.0)** |
| **Total changes in equity other than those resulting from transactions with Proprietors as owners** | **127.7** | 433.0 |
| **Earnings per share** | | |
| Basic earnings per share (cents) | **32.8** | 133.1 |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (millions) | **352.3** | 338.2 |
| Diluted earnings per share is the same as basic earnings per share. | | |

as at 30 June 2001

| | 2001 $m | 2000 $m |
|---|---|---|
| **Current assets** | | |
| Cash | **100.9** | 31.1 |
| Receivables | **690.6** | 608.8 |
| Inventories | **20.6** | 17.8 |
| Property, plant and equipment | **81.7** | 17.1 |
| Intangibles | **111.1** | 0.0 |
| Other | **48.6** | 24.7 |
| **Total current assets** | **1,053.5** | 699.5 |
| **Non-current assets** | | |
| Receivables | **75.6** | 73.2 |
| Inventories | **3.1** | 3.1 |
| Investments accounted for using the equity method | **576.1** | 269.4 |
| Other financial assets | **66.8** | 10.5 |
| Property, plant and equipment | **2,753.9** | 2,614.5 |
| Intangibles | **910.9** | 1,159.7 |
| Deferred expenditure | **322.7** | 251.1 |
| Tax assets | **102.4** | 102.9 |
| Other | **138.2** | 161.2 |
| **Total non-current assets** | **4,949.7** | 4,645.6 |
| **Total assets** | **6,003.2** | 5,345.1 |
| **Current liabilities** | | |
| Payables | **539.2** | 474.1 |
| Interest bearing liabilities | **1,104.2** | 204.1 |
| Provisions | **179.3** | 248.4 |
| Tax liabilities | **31.3** | 8.1 |
| Unearned revenue | **17.4** | 26.2 |
| **Total current liabilities** | **1,871.4** | 960.9 |
| **Non-current liabilities** | | |
| Interest bearing liabilities | **1,577.9** | 1,863.2 |
| Provisions | **93.8** | 112.5 |
| Tax liabilities | **348.2** | 296.8 |
| Unearned revenue | **3.6** | 25.8 |
| **Total non-current liabilities** | **2,023.5** | 2,298.3 |
| **Total liabilities** | **3,894.9** | 3,259.2 |
| **Net assets** | **2,108.3** | 2,085.9 |
| **Equity** | | |
| Contributed equity | **1,354.6** | 1,175.9 |
| Reserves | **(13.7)** | (26.0) |
| Retained profits | **565.0** | 635.7 |
| **Equity attributable to Proprietors of the Parent Entity** | **1,905.9** | 1,785.6 |
| Outside equity interests in controlled entities | **202.4** | 300.3 |
| **Total equity** | **2,108.3** | 2,085.9 |

## Consolidated Statement of Cash Flows

for the year ended 30 June 2001

| | Inflows (Outflows) | |
|---|---|---|
| | 2001 $m | 2000 $m |
| **Cash flows from operating activities** | | |
| Receipts from customers | **3,783.9** | 2,374.1 |
| Payments to suppliers and employees | **(3,305.2)** | (1,893.6) |
| Proceeds from property mortgage repayments | **0.0** | 0.2 |
| Dividends received | **28.6** | 77.2 |
| Interest received | **13.7** | 11.4 |
| Borrowing costs paid | **(178.5)** | (151.9) |
| Income taxes paid | **(45.1)** | (44.1) |
| Net cash provided by operating activities | **297.4** | 373.3 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(376.5)** | (324.6) |
| Payments for investments | **(220.5)** | (327.2) |
| Payments for acquisition of controlled entities | **(55.6)** | (809.6) |
| Payments for additional investments in controlled entities | **(122.4)** | 0.0 |
| Loans advanced | **(9.5)** | (55.1) |
| Proceeds from sale of property, plant and equipment | **18.3** | 17.3 |
| Proceeds from disposal of controlled entities | **0.0** | 349.3 |
| Proceeds from disposal of investments | **18.3** | 34.5 |
| Proceeds from loan repayments | **4.7** | 17.5 |
| Net cash used in investing activities | **(743.2)** | (1,097.9) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | **268.5** | 167.2 |
| Proceeds from borrowings and hedge receipts on foreign currency borrowings | **1,245.2** | 934.5 |
| Repayment of borrowings and hedge payments on foreign currency borrowings | **(719.3)** | (202.7) |
| Dividends and other distributions paid | **(272.5)** | (173.6) |
| Net cash provided by financing activities | **521.9** | 725.4 |
| **Net increase in cash held** | **76.1** | 0.8 |
| **Cash at the beginning of the financial year** | **22.6** | 19.4 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | **2.0** | 2.4 |
| **Cash at the end of the financial year** | **100.7** | 22.6 |

## 1. Consolidated Statement of Financial Performance

### Operating Profit Attributable to Proprietors

Operating profit after income tax attributable to Proprietors decreased by $334.6 million to $115.4 million over the previous year, resulting in a 75.4% decrease in earnings per share to 32.8 cents.

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

- Profit on the sale of assets to the ActewAGL joint venture ($65.7 million)
- Losses and write-downs relating to the Group's investment in Natural Gas Corporation Holdings Limited (NGC) ($162.4 million)
- Write-downs relating to the Group's investment in Dingo Blue ($19.6 million)
- Costs incurred to review the ownership structure of the Group's gas and electricity network assets ($6.2 million)
- Profit on the sale of Stages 2 and 3 of Breakfast Point ($13.6 million)

### Operating Profit Before Significant Items

The underlying operating profit of the Group of $224.2 million, before significant items and the outside equity interests associated with those significant items, has declined by 10.0% compared with the previous year as outlined in the following table:

| | 2001 $m | 2000 $m |
|---|---|---|
| Operating profit before income tax | 337.5 | 377.0 |
| Income tax | (108.7) | (115.3) |
| Operating profit after income tax | 228.8 | 261.7 |
| Outside equity interests | (4.6) | (12.7) |
| Operating profit after income tax (before significant items) attributable to Proprietors | 224.2 | 249.0 |

### Segment Results

Operating profits from ordinary activities (including significant items) before borrowing costs and tax was $295.3 million.

**• Gas Networks (contribution $222.0 million) ⇧**

This division includes the medium to low pressure distribution network in most major centres in NSW. Included in the result is a profit of $49.3 million arising from the sale by the Company in October 2000 of its ACT gas network assets into a joint venture with the Actew Corporation.

Total gas transported through the distribution network for the year was 103.2 PJ, a decrease of 8.1 PJ over the previous year. This decrease reflected the reduction due to gas now being transported by the ActewAGL joint venture in the ACT and Queanbeyan from October 2000 and lower gas transported to contract customers, off-set by increased growth in tariff customers. A total of 38,870 new sites were connected to the NSW network during the year.

Lower distribution revenue resulting from the Independent Pricing and Regulatory Tribunal (IPART) determination, which became effective on 1 October 2000, was partly off-set by increased transfers from the former Gas Customers' Reserve account, used to off-set reductions in network transportation charges, as well as reduced Goldline licence fees due to the purchase of the Goldline operating lease assets during the year.

**• Electricity Networks (contribution $70.7 million) ⇧**

Earnings for the Electricity Networks division increased $7.8 million over the previous year. Total electricity delivered across the distribution system for the year increased by 9.1 GWh to 4,026.4 GWh. A total of 4,668 new sites were connected to the network during the year.

The Office of the Regulator General (ORG) finalised its review of distribution prices for the next five-year period. The ORG's determination has resulted in a 14.8% reduction in prices charged from January 2001.

**• Agility (contribution $28.4 million )**

This division consists of the businesses of Agility Management (providing management services to asset owners), Agility Services (delivering field services for asset owners and managers) and Agility Team Build (focusing on asset construction). During the year Agility has contracted its services to a number of external parties, enabling it to build on its established foundation asset management contracts with the Australian Pipeline Trust (APT) and the ActewAGL joint venture.

**• Energy Sales & Marketing (contribution $115.4 million) ⇧**

The Energy Sales & Marketing division combines both gas and electricity sales and energy services to AGL's customer base across Australia.

Earnings for the division, which includes a strong performance from Victoria and NSW and a full twelve months of operations from AGL South Australia, have increased by $56.9 million over the previous year. Included in the result is a profit of $5.0 million arising from the sale by the Company of its ACT gas retail business to the ActewAGL joint venture. Total gas and electricity customers totalled 1,834,758 at year end, an increase of 54,381 for the year, after adjusting for the 81,886 AGL customers transferred to ActewAGL.

**• Investments (contribution $39.7 million )**

Earnings from Investments includes AGL's share of equity accounted profits from its 30% investment in APT ($10.5 million) and its 50% investment in the ActewAGL distribution and retail partnerships ($26.3 million) which commenced operations in October 2000.

**• Power Generation (loss $0.3 million) ⇩**

Earnings from AGL's investment in the 20 MW power plant at Cawse in Western Australia decreased as a result of the power plant's customer being placed in receivership. Despite this the Cawse mine is still considered viable and new contracts have subsequently been negotiated with the Receiver.

AGL's other power generation investments include a 15% interest in the Southern Cross Energy partnership and a 50% interest in the Windimurra power station, both in Western Australia.

**• LPG (contribution $13.6 million) ⇩**

Elgas (AGL 50%) made a $4.8 million contribution, a decrease of $4.5 million on the previous year. The previous year result included a one-off adjustment to deferred tax balances of $3.1 million. Elgas' profit for the year was adversely impacted by substantial rises in the cost of LPG.

H C Extractions (HCE) contributed $8.8 million, an increase of $0.5 million on the previous year. HCE's profitability increased as a result of higher prices for LPG sales, thereby providing an effective hedge for AGL's investment in Elgas.

**• International (loss $166.1 million) ⇩**

AGL's 66% investment in NGC resulted in a loss (before tax and outside equity interests) of $182.3 million for the year ($85.4 million operating profit before tax less abnormal losses of $267.7 million). In June 2001 NGC recognised abnormal losses from a write-down of its electricity retail and trading business, the sale of its South Island electricity retail business, as well as the effect of abnormally high wholesale prices for the month of June. Despite the poor performance from NGC's electricity retail business, the balance of its infrastructure, electricity generation, gas processing and trading businesses traded satisfactorily.

AGL's 20.5% stake in TrustPower contributed $5.5 million, down $0.4 million on the previous year.

The International division also includes contributions from AGL's 100% investment in Gas Valpo, a natural gas distribution company in Chile, and AGL's investment in the gas distribution network in Lower Hutt and Porirua, New Zealand up to its disposal in June 2001.

**• Property (contribution $20.5 million) ⇧**

The sale of Stages 2 and 3 of Breakfast Point were completed during the year resulting in a profit of $20.8 million before tax (previous year Stage 1, $14.1 million). The underlying operating profit for the Property division improved $1.2 million for the year.

**• Telecommunications (loss $33.4 million)**

This division includes AGL's investments in COMindico (20%), a national internet protocol based wholesale network, TransACT (20%), a broadband fibre-optic telecommunications local area network in the ACT and Dingo Blue, an online retailer of telephony and internet products and services.

As at 30 June 2001, AGL had invested $55.2 million in Dingo Blue, consisting of the original acquisition cost of $21.0 million plus loans of $34.2 million advanced to fund operating cash flow and working capital requirements. In June 2001 the Company undertook a comprehensive operational review of its investment in Dingo Blue. As a result of this review AGL has recognised a $22.2 million write-down in its investment, principally relating to goodwill and deferred expenditure.

**• Other (loss $3.2 million) ⇩**

This division principally includes AGL's business development activities. The prior year results included contributions from AGL's investment in Industrial Pipe Systems, which was sold in March 2000.

### Revenues (⇧ 27.4%)

Total revenues from ordinary activities (including significant items) grew by $753.5 million to $3,498.9 million. This increase mainly reflects twelve months of South Australia electricity sales compared to five months in the previous year and the full-year consolidation of TransAlta New Zealand (TANZ) into NGC, off-set by the loss of natural gas transmission pipelines' revenue to APT.

### Expenses (⇧ 50.9%)

Total expenses from ordinary activities (including significant items) increased by $1,028.1 million to $3,046.8 million. This increase is principally due to increased cost of sales reflecting the impact of twelve months of South Australia electricity sales compared to five months in the previous year and the losses and write-downs relating to NGC and Dingo Blue.

Rental expenses on operating leases decreased by $25.9 million due to the purchase of Goldline operating lease assets during the year and the disposal of the Amadeus Gas Trust assets to APT at the end of the previous year.

### Depreciation and Amortisation (⇧ 30.5%)

Depreciation and amortisation has increased by $46.3 million as a result of higher goodwill amortisation relating to the TANZ acquisition and the AGL South Australia electricity business, as well as higher amortisation of gas entitlements.

Depreciation on plant and equipment has increased by $11.3 million reflecting the increase in plant and equipment assets during the year.

### Borrowing Costs (⇧ 19.7%)

Borrowing costs have increased by $29.9 million to $181.9 million, mainly reflecting increased borrowings during the year to fund investments in telecommunications businesses, the purchase of the remaining 50% of Gas Valpo, the buy-back of Goldline operating lease assets and the equalisation payment made to Actew. The Group's borrowing costs coverage ratio (excluding significant items) has declined to 2.9 times as a result of the increase in borrowings and a reduction in operating profits before tax.

### Income tax ($53.1 million) ⇧

Income tax has increased principally due to non-recurring tax benefits recognised last year on the sale of AGL Pipelines to APT ($24.8 million) and adjustments to restate net deferred income tax balances due to the change in company tax rates ($40.7 million). Income tax attributable to ordinary activities (before significant items detailed above) rose from 30.6% to 32.2% this year. This increase was mainly due to higher non-allowable expenditure, including goodwill amortisation.

### Dividends

A partially franked interim dividend of 25 cents (7 cents franked) was paid on 12 April 2001 compared to 24 cents (4 cents franked) for the previous year. The Directors have recommended a final dividend of 27 cents (16 cents franked) compared to 27 cents (6 cents franked) paid in the prior year. Total dividends for the year will be 52 cents (23 cents franked) compared to 74 cents (10 cents franked) for the previous year, which included a special unfranked dividend payment of 23 cents. There are no Foreign Dividend Account (FDA) credits attached to dividends for the year.

## 2. Consolidated Statement of Financial Position

### Assets (⇧ 12.3%)

Total assets increased $658.1 million over the prior year, primarily as a result of capital expenditure in the normal course of business, the acquisitions of Dingo Blue and the remaining 50% of Gas Valpo, the investment in the ActewAGL joint venture and the COMindico and TransACT telecommunications entities, as well as the purchase of the remaining Goldline operating lease assets. The increase in assets has been partially off-set by the write-down of goodwill relating to NGC's electricity retail businesses and the Dingo Blue business. As a result of the increase in total assets, net assets attributable to Proprietors has increased from $5.22 per share to $5.30 per share.

### Net Borrowings (⇧ 27.2%)

Net borrowings of the Group have increased from $2,019.7 million to $2,568.5 million over the course of the year. This increase in borrowings has been used in part to fund the increase in assets, as well as to provide $51.8 million of funding to NGC under the NZ$135.0 million cash advance facility established in June 2001. The Group's debt : debt plus equity ratio has increased from 49.2% to 54.9%.

In addition AGL has provided a guarantee to M-co Clearing House Limited with regards to NGC's electricity purchasing obligations under a Deed of Guarantee and Indemnity totalling NZ$177 million.

The Company's long-term credit rating by Standard & Poor's remained at A+ (negative watch), whilst Moody's Investor Services long-term credit rating changed from A2 to A2 (outlook -ve).

### Equity (⇧ 1.1%)

Total equity has increased $22.4 million to $2,108.3 million at 30 June 2001. This increase reflects an increase in contributed equity, off-set by a reduction in outside equity interests resulting from the NGC write-down. At 30 June 2001 there were 359.8 million shares on issue, compared with 342.0 million shares at 30 June 2000.

The AGL Dividend Reinvestment Plan (DRP) continued to operate during the year. A total of 10.0 million shares were issued during the year under the DRP, with 38% and 42% of dividends reinvested by Proprietors for the 1999/2000 year final/special dividend and the 2000/2001 year interim dividend respectively. An additional 6.8 million shares were also issued under an underwriting agreement in respect of the DRP for the final dividend payment for the 1999/2000 year.

## 3. Consolidated Statement of Cash Flows

### Operating Cash Flows (⇩ 20.3%)

Operating cash flows were $297.4 million compared with $373.3 million last year. Higher receipts from customers were off-set by higher payments to suppliers and employees, principally as a result of a full twelve-months operations of AGL South Australia and increased cash flow requirements to fund operating activities in Dingo Blue and NGC. Higher borrowing cost payments as a result of higher borrowings and lower dividends received also contributed to the reduced operating cash flows for the year. Operating cash flow per share decreased from 111.0 cents to 84.4 cents.

### Investing Cash Flows ($743.2 million outflow)

During the year the Company invested capital on a number of significant items:

- $33.5 million in the 20% interest in COMindico
- $21.3 million in the 20% interest in TransACT
- $21.0 million to acquire Dingo Blue
- $36.4 million to acquire the remaining 50% of Gas Valpo
- $164.4 million to fund the equalisation payment on the 50% investment in the ActewAGL joint venture
- $122.4 million to acquire the remaining 24% of TANZ
- $128.7 million to acquire the remaining Goldline operating lease assets which constitute part of the Sydney gas distribution network
- Approximately $164.5 million on general gas and electricity system upgrades and market expansion activities in Australia, New Zealand and Chile. This expenditure is incurred to maintain the integrity of the existing distribution networks and provide continued growth opportunities
- $23.8 million on construction of gas-fired peak demand generation plants in Victoria and South Australia

### Financing Cash Flows ($521.9 million inflow)

The decrease in financing cash flows for the year was driven by lower net borrowings during the year when compared to the prior year and higher dividends paid which increased by $98.9 million. A further $178.6 million was raised under the DRP, including the underwriting of the final dividend payment for the 1999/2000 year, and from share issues under employee share ownership plans.

## Note 1 – Basis of concise financial report

The concise financial report relates to the consolidated entity consisting of The Australian Gas Light Company (the Parent Entity) and each of its controlled entities. The report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports".

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report of the consolidated entity. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The accounting policies applied in the preparation and presentation of the concise financial report are consistent with those applied in respect of the year ended 30 June 2000.

## Note 2 – Change in accounting estimates

During the year, the assumptions used to calculate unbilled electricity revenue in AGL South Australia were revised in-line with existing usage profiles and tariff categories. This review resulted in the amount of unbilled electricity recognised at 30 June 2001 increasing by $15.1 million.

## Note 3 – Rounding of amounts

Unless otherwise specified, amounts in the concise 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.

| | 2001 $m | 2000 $m |
|---|---|---|
| **Note 4 – Revenue** | | |
| Sales revenue | **3,171.3** | 2,292.2 |
| Other revenue | **369.0** | 516.9 |
| | **3,540.3** | 2,809.1 |
| **Note 5 – Dividends** | | |
| Interim dividend paid 12 April 2001 (2000 – 14 April 2000) | | |
| Franked amount (7 cents per share (2000 – 4 cents per share)) | **24.9** | 13.5 |
| Unfranked amount (18 cents per share (2000 – 20 cents per share)) | **64.1** | 67.7 |
| Total amount (25 cents per share (2000 – 24 cents per share)) | **89.0** | 81.2 |
| Final dividend proposed for 16 October 2001 (2000 – 17 October 2000) | | |
| Franked amount (16 cents per share (2000 – 6 cents per share)) | **57.6** | 20.5 |
| Unfranked amount (11 cents per share (2000 – 21 cents per share)) | **39.5** | 71.8 |
| Total amount (27 cents per share (2000 – 27 cents per share)) | **97.1** | 92.3 |
| Special dividend paid (2000 – 17 October 2000) | | |
| Franked amount (2000 – 0 cents per share) | **0.0** | 0.0 |
| Unfranked amount (2000 – 23 cents per share) | **0.0** | 78.7 |
| Total amount (2000 – 23 cents per share) | **0.0** | 78.7 |
| | **186.1** | 252.2 |

The franking rate applicable to all franked dividends paid is 34%.
The franking rate applicable to all franked dividends proposed is 30%.

| Note 6 – Segment information | Revenue 2001 $m | Revenue 2000 $m | Operating result 2001 $m | Operating result 2000 $m | Total assets 2001 $m | Total assets 2000 $m |
|---|---|---|---|---|---|---|
| INDUSTRY SEGMENTS | | | | | | |
| **Energy** | | | | | | |
| *Infrastructure* | | | | | | |
| • Gas networks | **569.8** | 371.3 | **222.0** | 173.3 | **1,170.4** | 1,119.7 |
| • Electricity networks | **168.5** | 172.2 | **70.7** | 62.9 | **1,098.1** | 1,123.0 |
| • Agility | **123.2** | 0.0 | **28.4** | 0.0 | **58.4** | 0.0 |
| • Pipelines | **0.0** | 542.9 | **0.0** | 216.7 | **0.0** | 67.5 |
| | **861.5** | 1,086.4 | **321.1** | 452.9 | **2,326.9** | 2,310.2 |
| *Sales & marketing* | **1,908.8** | 1,510.1 | **115.4** | 58.5 | **694.4** | 682.3 |
| Less network charges | **422.0** | 469.3 | **0.0** | 0.0 | **0.0** | 0.0 |
| | **1,486.8** | 1,040.8 | **115.4** | 58.5 | **694.4** | 682.3 |
| | **2,348.3** | 2,127.2 | **436.5** | 511.4 | **3,021.3** | 2,992.5 |
| *Investments* | **45.7** | 0.0 | **39.7** | 2.6 | **386.9** | 0.0 |
| *Power generation* | **8.2** | 32.0 | **(0.3)** | 2.9 | **72.3** | 47.6 |
| *LPG* | **28.2** | 30.8 | **13.6** | 17.7 | **102.9** | 100.2 |
| *International business* | **1,033.0** | 528.8 | **(166.1)** | 100.5 | **2,043.8** | 2,035.2 |
| | **3,463.4** | 2,718.8 | **323.4** | 635.1 | **5,627.2** | 5,175.5 |
| **Property** | **40.6** | 34.2 | **20.5** | 12.6 | **98.8** | 73.3 |
| **Telecommunications** | **29.1** | 0.0 | **(33.4)** | 0.0 | **101.4** | 0.0 |
| **Other** | **1.0** | 53.2 | **(3.2)** | 4.2 | **8.1** | 28.2 |
| Segment totals | **3,534.1** | 2,806.2 | **307.3** | 651.9 | **5,835.5** | 5,277.0 |
| **Unallocated items** | **6.4** | 5.6 | **(12.0)** | (13.4) | **167.7** | 68.1 |
| | **3,540.5** | 2,811.8 | **295.3** | 638.5 | **6,003.2** | 5,345.1 |
| Less: inter-segment revenue | **0.2** | 2.7 | **0.0** | 0.0 | **0.0** | 0.0 |
| borrowing costs | **0.0** | 0.0 | **181.9** | 152.0 | **0.0** | 0.0 |
| | **3,540.3** | 2,809.1 | **113.4** | 486.5 | **6,003.2** | 5,345.1 |

| **Inter-segment revenue was derived as follows:** | 2001 | 2000 |
|---|---|---|
| Energy | **0.1** | 1.1 |
| Property | **0.1** | 0.2 |
| Other | **0.0** | 1.4 |
| | **0.2** | 2.7 |

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

**Revenue is principally derived from:**

**(i) Energy**

| | |
|---|---|
| *Infrastructure* | • Gas networks – distribution of natural gas.<br>• Electricity networks – distribution of electricity.<br>• Agility – provision of infrastructure management and maintenance services. |
| *Sales & marketing* | Sale of natural gas and electricity. |
| *Investments* | Investments in pipeline and energy entities. |
| *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) Telecommunications** | Investment in entities involved in the telecommunications industry. |
| **(iv) Other** | Business development activities and revenue from other activities. |

**Operating result includes the following significant amounts:**

**(i) Energy**

*Infrastructure*

| | |
|---|---|
| • Gas networks | $49.3 million (2000 $(3.2) million) |
| • Electricity networks | $nil (2000 $(6.0) million) |
| • Pipelines | $nil (2000 $135.6 million) |
| *Sales & marketing* | $5.0 million (2000 $(9.2) million) |
| *International* | $(267.6) million (2000 $nil) |
| **(ii) Property** | $20.8 million (2000 $14.1 million) |
| **(iii) Telecommunications** | $(22.2) million (2000 $nil) |
| **(iv) Other** | $nil (2000 $(1.1) million) |
| **(v) Unallocated** | $(9.4) million (2000 $(20.7) million) |

| Note 6 – Segment information (continued) | Revenue 2001 $m | Revenue 2000 $m | Operating result 2001 $m | Operating result 2000 $m | Total assets 2001 $m | Total assets 2000 $m |
|---|---|---|---|---|---|---|
| **GEOGRAPHICAL SEGMENTS** | | | | | | |
| Australia | **2,506.7** | 2,275.1 | **461.9** | 534.1 | **3,956.8** | 3,291.3 |
| New Zealand | **1,003.1** | 532.2 | **(164.6)** | 104.0 | **1,868.3** | 1,995.7 |
| Other | **30.5** | 1.8 | **(2.0)** | 0.4 | **178.1** | 58.1 |
| | **3,540.3** | 2,809.1 | **295.3** | 638.5 | **6,003.2** | 5,345.1 |

There was no material inter-segment revenue.

| | Infrastructure | | | Sales & marketing | Investments | Power generation | LPG | International business |
|---|---|---|---|---|---|---|---|---|
| | Gas networks 2001 $m | Electricity networks 2001 $m | Agility 2001 $m | 2001 $m | 2001 $m | 2001 $m | 2001 $m | 2001 $m |
| **INFORMATION RELATING TO ENERGY SEGMENT** | | | | | | | | |
| **(a) Funds employed** | | | | | | | | |
| Current assets | | | | | | | | |
| Cash | 0.0 | 0.0 | 0.2 | 4.9 | 0.0 | 0.0 | 0.0 | 9.7 |
| Receivables | 12.3 | 11.5 | 34.3 | 388.6 | 0.4 | 2.6 | 2.1 | 186.3 |
| Inventories | 0.7 | 0.0 | 4.8 | 6.5 | 0.0 | 0.0 | 0.0 | 8.3 |
| Property, plant and equipment | 2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 79.5 |
| Intangibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 111.1 |
| Other | 3.1 | 0.0 | 0.6 | 17.0 | 0.0 | 0.0 | 0.0 | 23.4 |
| Non-current assets | | | | | | | | |
| Receivables | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.5 | 5.9 |
| Investments accounted for using the equity method | 0.0 | 0.0 | 0.0 | 0.4 | 380.6 | 0.0 | 67.3 | 127.9 |
| Other financial assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.0 | 0.0 | 0.0 |
| Property, plant and equipment | 924.6 | 480.0 | 6.1 | 22.6 | 0.0 | 52.9 | 1.0 | 1,201.6 |
| Intangibles | 0.0 | 580.9 | 0.0 | 201.9 | 0.0 | 0.0 | 0.0 | 103.0 |
| Deferred expenditure | 226.4 | 21.7 | 0.0 | 15.7 | 0.0 | 3.2 | 0.0 | 12.7 |
| Tax assets | 0.9 | 0.9 | 9.6 | 36.3 | 2.1 | 0.0 | 0.0 | 41.2 |
| Other | 0.2 | 3.1 | 2.8 | 0.5 | 3.8 | 1.6 | 0.0 | 133.2 |
| Total assets | 1,170.4 | 1,098.1 | 58.4 | 694.4 | 386.9 | 72.3 | 102.9 | 2,043.8 |
| Current liabilities | | | | | | | | |
| Payables | 9.9 | 12.0 | 26.3 | 255.2 | 0.0 | 4.1 | 0.5 | 180.0 |
| Provisions | 6.5 | 2.1 | 12.1 | 23.8 | 0.0 | 0.2 | 0.0 | 23.7 |
| Tax liabilities | 6.0 | 4.7 | 9.9 | 12.8 | 13.0 | 0.0 | 3.7 | 5.6 |
| Unearned revenue | 12.9 | 0.0 | 0.4 | 0.7 | 0.0 | 0.0 | 0.0 | 2.4 |
| Non-current liabilities | | | | | | | | |
| Payables | 0.0 | 0.0 | 0.0 | 12.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 5.0 | 0.5 | 16.4 | 62.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tax liabilities | 163.0 | 50.1 | 0.0 | 42.5 | 6.7 | 4.7 | 0.2 | 73.6 |
| Unearned revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 |
| Funds employed | 967.1 | 1,028.7 | (6.7) | 284.5 | 367.2 | 63.3 | 98.5 | 1,756.3 |
| **(b) Profit before borrowing costs and significant items** | | | | | | | | |
| Before income tax | 172.7 | 70.7 | 28.4 | 110.4 | 39.7 | (0.3) | 13.6 | 101.6 |
| After income tax | 123.2 | 50.5 | 19.3 | 72.3 | 36.6 | (0.2) | 9.7 | 55.0 |
| **(c) Profit before borrowing costs and significant items/funds employed*(%)** | | | | | | | | |
| Before income tax | 18.2 | 6.8 | n/a | 43.8 | 19.9 | n/a | 14.0 | 5.6 |
| After income tax | 13.0 | 4.8 | n/a | 28.7 | 18.3 | n/a | 10.0 | 3.1 |

* Weighted where appropriate.

## Note 7 – Events occurring after reporting date and not recognised in the financial report

(a) On 13 July 2001 Natural Gas Corporation Holdings Limited, a partly-owned controlled entity, concluded the previously announced agreement to sell its South Island electricity customers to Meridian Energy Limited, effective from 13 July 2001.

(b) On 13 July 2001, Natural Gas Corporation Finance Limited, a wholly-owned entity of Natural Gas Corporation Holdings Limited, established a NZ$850 million bank cash advance facility. This bridging facility, which replaced the previous NGC cash advance facility (NZ$850 million) and the On energy standby cash facility (NZ$100 million), matures on 13 November 2001. It is expected that this loan facility will be refinanced in the normal course of business prior to its maturity.

(c) On 25 July 2001, Natural Gas Corporation Holdings Limited reached agreement to sell its North Island commercial and residential customers to Genesis Power Limited. As part of the sale NGC will acquire Genesis' electricity meter assets. The agreement were effective from 1 August 2001, after satisfaction of certain conditions.

(d) In August 2001 Natural Gas Corporation Holdings Limited announced that as a result of the continuation of the high wholesale electricity prices during July, its earnings for the year ended 30 June 2002 would be affected. NGC's net exposure in the period would result in losses from the electricity retailing businesses in the region of NZ$40 million after tax. However, it is expected that the losses will be more than offset by earnings from NGC's electricity generation business over the remainder of the year. Whilst NGC's ongoing exposure to high electricity spot prices has been eliminated through the sale of its electricity retailing businesses to Meridian Energy and Genesis Power, these transactions were only completed on 13 July 2001 and 1 August 2001 respectively.

to the Proprietors of The Australian Gas Light Company

## Scope

We have audited the concise financial report of The Australian Gas Light Company for the financial year ended 30 June 2001 as set out on pages 41 to 50, in order to express an opinion on it to the members of the Company. The concise 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 concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of The Australian Gas Light Company for the year ended 30 June 2001. Our audit report on the full financial report was signed on 23 August 2001, and was not subject to any qualification.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports'.

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

## Audit Opinion

In our opinion, the concise financial report of The Australian Gas Light Company complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants

Sydney, 23 August 2001

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

## Pro Forma Consolidated Summary Statement of Financial Position

| | Pro Forma 30 June 2001 $m | As reported 30 June 2001 $m |
|---|---|---|
| Assets | | |
| Cash | **100.9** | 100.9 |
| Receivables | **752.3** | 766.2 |
| Investments equity accounted | **576.1** | 576.1 |
| Property, plant and equipment | **2,800.1** | 2,835.6 |
| Intangibles | **910.9** | 1,022.0 |
| Other | **702.4** | 702.4 |
| Total Assets | **5,842.7** | 6,003.2 |
| Liabilities | | |
| Payables | **539.2** | 539.2 |
| Interest bearing liabilities | **2,520.3** | 2,682.1 |
| Provisions | **273.1** | 273.1 |
| Tax liabilities | **378.2** | 379.5 |
| Other | **21.0** | 21.0 |
| Total Liabilities | **3,731.8** | 3,894.9 |
| Net Assets | **2,110.9** | 2,108.3 |
| Equity | **2,110.9** | 2,108.3 |

The Pro Forma Consolidated Statement of Financial Position has been prepared based on information extracted from the Consolidated Financial Statements of The Australian Gas Light Company and its Controlled Entities as at 30 June 2001.

The Pro Forma Consolidated Statement of Financial Position as at 30 June 2001 has been prepared as if the following transactions had occurred as at 30 June 2001:

1 Natural Gas Corporation Holdings Limited sells its South Island electricity customers to Meridian Energy Limited;
2 Natural Gas Corporation Holdings Limited sells its North Island commercial and residential customers to Genesis Power Limited;
3 Natural Gas Corporation Holdings Limited purchases Genesis' electricity meter assets;
4 AGL settles the sale of the Hutt Valley gas network assets.

The Pro Forma Consolidated Statement of Financial Position has not been audited.