AGL

THINKING FOUR STEPS AHEAD

THE AUSTRALIAN GAS LIGHT COMPANY

CONCISE ANNUAL REPORT 2002

The Australian Gas Light Company ABN 95 052 167 405 Formed in New South Wales with limited liability

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FINANCIAL CALENDAR

26 September 2002
Shares begin trading ex-dividend

2 October 2002
Record date for final dividend

15 October 2002
Annual General Meeting

16 October 2002
Final dividend payable

Highlights from Chairman's address to Annual General Meeting mailed

31 December 2002
Half-year end

6 March 2003
Interim dividend and half-year result announced

10 March 2003
Shares begin trading ex-dividend

14 March 2003
Record date for interim dividend

28 March 2003
Interim dividend payable

30 June 2003
Year end

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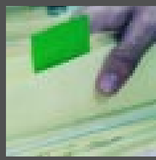

DEVELOPING THE PASSION

BUILDING ON OUR CULTURE **PAGE 8**

INVITATION TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held in the City Recital Hall, Angel Place, Sydney, on Tuesday 15 October 2002 at 10.30 am. The formal Notice of Meeting is enclosed with this Report.

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FILLING THE POWER VACUUM

Filling the gaps identified in our business platform

FILLING THE POWER VACUUM

At a time when the energy market has never seemed more competitive, there is much to be said for a simple, straightforward business model and growth strategy. This is ours: we want to be an energy company in the downstream sector with a balance in our earnings from regulated and market-based activities; a market leader in those areas in which we operate. We want to have the support and benefit of predictable cash flows from regulated businesses, as well as the upside of large market-based energy retailing businesses.

In order to achieve these objectives we have reviewed our portfolio of assets, identified what was missing and endeavoured to balance the solid base provided by our regulated businesses. And now the outlook for our market-based businesses looks very promising.

In acquiring Pulse Energy and its 1.1 million premium customers along with access to competitively priced Bass Strait gas in Victoria just one month after the close of the fiscal year we simultaneously filled some major gaps in our portfolio, balanced our earnings streams and made a bold move towards cementing our position as the market leader in the Australian downstream energy market.

While we welcome the investment support for our newest transaction locally and abroad, we realise the real challenges lie ahead – not the least of all being integrating this prized new acquisition smoothly.

Mark Genders
MANAGER STRATEGY & BUSINESS DEVELOPMENT
ES&M

Elizabeth Molyneux
BUSINESS MANAGER INTEGRATION
ES&M

Michael Moraza
MANAGER BUSINESS DEVELOPMENT
Corporate Development

Josephine Sun
PROGRAMME COORDINATOR INTEGRATION
ES&M

2
DOING WHAT WE DO BEST

Building on our strengths and delivering full value from our existing businesses

DOING WHAT WE DO BEST

This is about getting back to basics. It is recognising what we are good at and nurturing what we have already accomplished. It is making considered advances and taking planned action. In short, taking a fresh look at our businesses – and finding new and clever ways to extract maximum value for our Proprietors.

To achieve growth, we have to secure access to competitively priced energy. We must make sure our existing businesses are running well and that there is no unnecessary duplication. That we are all working together to defend our incumbent positions on the eastern seaboard and in South Australia – and, more importantly – clearly identifying who our customers are and how we can best serve them.

How are we doing? The Pulse Energy acquisition has given us access to the major gas contract in Victoria. Our Gas and Electricity Networks are performing to expectations. Agility has lived up to its name in its multi-faceted involvement in downstream energy infrastructure across the continent as it continues to attract new third-party work and customers. Further afield, our subsidiary in New Zealand has benefited from much improved cross-pollination between their business and ours.

There is still room for considerable improvement. But rest assured. While we are considering the next phase of expansion opportunities, we are continually striving to improve our underlying performance.

Alison Le Fevre
PROCESS DEVELOPMENT MANAGER
Agility

Robert Adrian
GAS SERVICE TECHNICIAN
Agility

Des Hemmings
GENERAL MANAGER INFRASTRUCTURE MANAGEMENT
Agility

Tristan Hall
GAS SERVICE TECHNICIAN
Agility

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RECONFIGURING FOR SUCCESS

Reconfiguring our portfolio for profitable future growth

RECONFIGURING FOR SUCCESS

Over the past twelve months we have sharpened our focus on energy trading and risk management, particularly how to do this flexibly and cost effectively in order to benefit all the players with a stake in our Company.

This has meant selling and rationalising businesses that do not fit and investing the funds released in core skill businesses. It has also meant exiting our retail telephony telecommunication interests vested in Dingo Blue. It has meant vigilance in developing effective – and timely – capital and corporate structures for maximum capital efficiency.

It's a suite of practical and far-reaching actions – from identifying our major risks and managing them, to constructing gas-fired peaking power generation plants that will facilitate our access to important elements of the value chain and provide us with capability to better manage wholesale energy hedging risks.

Overall, we are reshaping the business for profitable future growth.

Peter Smith
MANAGER PLANT OPERATIONS
Agility

Steve Oswald
SITE CO-ORDINATOR
Agility

Ken Grinter
POWER STATION SUPERVISOR
Agility

Clive Perrett
MANAGER MAJOR PROJECTS
Agility

4
DEVELOPING THE PASSION

Building our culture and capabilities into an unbeatable competitive advantage

DEVELOPING THE PASSION

Being an industry leader is, naturally, the preferred position. The challenge is to maintain that position, and make sure that you are not so busy looking in front that you don't see what is coming up from the sides.

Or fall into the trap of comparing your performance with what you have done in the past, rather than what you need to do in the future.

In taking a long hard look at our Company, we decided there were many things that needed changing – including us – and that is what we have been doing.

We have embarked upon a journey to turn our Company culture into an unbeatable competitive asset. This means pursuing a strategy to attract and keep the very best performers. Training and developing leaders so they can listen, learn and lead effectively. Rethinking our performance planning and review process to create closer alignment between individual and business objectives. Measuring outcomes and rewarding performance.

We are also changing the day-to-day processes on which our business is built, streamlining our systems to provide high quality, easily accessible information for effective decision making.

A rigorous, new dynamic Company culture is coming to life.

Catherine Dickson
HR PHILOSOPHIES MANAGER
People & Culture

Peter Lloyd
CORPORATE SOLICITOR
Legal

Mei Lao
IT OPERATIONS ACCOUNTANT
Group Accounting

Fiona Duncan
PUBLIC AFFAIRS MANAGER
External Affairs

Lorraine Burbidge
INVENTORY CONTROLLER NGC

Kirsty Norris
MANAGER ENERGY TRADING

Michael Cosmidis
NEW HOMES DESK

New Zealand business

AGL has a 66% interest in Natural Gas Corporation Holdings Limited (NGC), an integrated gas wholesale, transmission and distribution company based in the North Island of New Zealand. NGC owns and/or operates New Zealand's entire natural gas high-pressure transmission system, owns and operates 2,550 km of gas distribution network and holds long-term gas contracts from the Maui and Kapuni gas fields. It also has significant investments in LPG and power generation.

AGL also holds a 20.5% interest in TrustPower Limited, an electricity generator (hydro and wind power) and retailer with more than 280,000 electricity customers across the North and South Islands.

Energy Trading

Energy Trading manages AGL's gas and electricity activities in the energy markets across Australia.

Energy Trading engages in transactions with other National Electricity Market participants hedging their own inherent generator and retailer risks. From 'vanilla' swaps to more exotic derivative based contracts for electricity to development and negotiation of long-term natural gas procurement and haulage strategies whilst continuing to meet the daily operational needs of AGL.

The aim is to achieve the lowest possible purchase cost price, whilst minimising the risk for our Proprietors and customers.

Contact Centres

AGL has four Contact Centres located in Adelaide, Canberra, Melbourne and Sydney, delivering the best possible service to our customers. Each day well-trained Customer Service Representatives handle a wide range of calls and web enquiries, totalling nearly eight million customer transactions per year for AGL's three million customers who can contact us 24 hours a day, seven days a week.

Elaine Geoghegan
HS&E SYSTEMS MANAGER

Allan Murray
MANAGER GROUP AUDIT & RISK MANAGEMENT

Dale Mack
'A' GRADE LINESPERSON

Health, Safety and Environment (HS&E)

AGL recognises the link between how well a job is done and the well-being of the people doing the job. Achieving optimum business outcomes goes hand in hand with health, safety and environmental performance. Life Guard, AGL's HS&E management programme, has become an integral part of all of AGL's business activities. In such a diverse industry, AGL continues to seek ways to improve the health and safety of our people and enhance the environment in which it operates. With a Lost Time Injury Frequency Rate of two, AGL is a leader in its field in HS&E issues.

Risk Management Programme

The nature of AGL's business demands sound risk management practices. Until recently much of our risk management activity has been in isolation. To counteract this, Management has adopted an integrated, Company-wide Risk Management Programme, based on the Australian and New Zealand Risk Management Standard.

Electricity network maintenance

Agility undertakes the construction, maintenance and emergency response activities on AGL's high and low voltage electricity distribution assets. Agility personnel are highly trained in all facets of the distribution network requirements and whose expertise and superior health, safety and environmental performance is widely acknowledged.

M John Phillips
CHAIRMAN

Greg Martin
MANAGING DIRECTOR

Chairman's Report

Dear Proprietor,

I feel much happier writing to you this year than I did a year ago. The problems which dogged us in 2001 have been dealt with, though there was some residual effect from the New Zealand difficulties in the early months of the year. Our New Zealand interests, through Natural Gas Corporation Holdings Limited (NGC), have since been operating profitably and have been a valuable source of cash flow.

We also cleaned out some other activities that did not fit with the Company's skills and strategies, and were unlikely to add to Proprietors' returns, including Dingo Blue.

These actions had some impact on profits but put us in a much stronger position for the years ahead.

Profit attributable to Proprietors in 2001/2002 was $192.1 million compared with $115.4 million in 2000/2001.

However, to underline the point made above about future strength, profit after tax but before significant items was $263.6 million, the highest the Company has recorded. This was achieved despite milder winter and summer weather in NSW, Victoria and South Australia, and the full-year negative effect on revenues of revised regulatory determinations in NSW and Victoria.

Operating cash flows improved from $297.4 million to $344.3 million.

Your Directors are proposing a final dividend of 27 cents a share, franked to 16 cents (59.3% of final dividend). This will be paid to Proprietors on 16 October 2002, bringing the total dividend for the year to 52 cents (35 cents franked).

There is a Foreign Dividend Account (FDA) credit of 5 cents attached to the final dividend for the year.

The Dividend Reinvestment Plan will again be available with the discount rate unchanged at 2.5%.

Following the end of the financial year, we were successful in acquiring Pulse Energy, which is expected to add to both revenue and earnings per share in the current year. That is an important addition to AGL's activities and will be a major element in the next chapter of AGL's long history.

Pulse Energy gives us access to gas supplies in Victoria, filling a major gap in our energy portfolio; it propels us to a position of market leadership; and it gives us a dual-fuel footprint and the scale we need in each of the markets in which we compete. Scale will allow us to offer competitively priced retail energy and a range of related products and services, to the mutual benefit of our Company, our customers and, ultimately, our Proprietors.

Importantly, we expect the acquisition to provide a lift in revenues of more than $1 billion annually.

To allay any concerns about the substantial growth in our number of retail customers, I should tell you that the purchase has been underpinned by a flexible long-term hedge arrangement with a major Victorian generator. That new arrangement, combined with AGL's and Pulse Energy's existing trading books, plus our own electricity generation peaking plants at Somerton in Victoria and Hallett in South Australia, will significantly mitigate our exposure to wholesale electricity market risk.

The Pulse Energy acquisition was obviously well regarded by the market. Strong investor demand allowed us to raise $380 million through a placement of 41.1 million shares. We also announced a Share Purchase Plan which offered up to $2,960 worth of shares to existing Proprietors at the placement price of $9.25 a share. That has raised a further $95.2 million.

These additional funds are being used to reduce debt associated with the acquisition, allowing us to remain around our target gearing level of 45-50%.

This will probably be the last time I address you as 'Proprietors'. By the time of the Annual General Meeting, I expect we will be operating under our new Constitution. Proprietors approved that step at the Special General Meeting on 3 July 2002 and all but one of the preconditions have now been met. The last precondition should be cleared up very soon now that the New Zealand elections are over.

Apart from the change in terminology from Proprietors to Shareholders, the most notable change, or at least the most publicised, is the removal of the 5% shareholding limitation. Some of the other significant changes are:

- The scaled voting system has been replaced with a 'one share one vote' regime;
- A proportional take-over offer must be approved by Shareholders;
- A proxy holder need no longer be an AGL Shareholder; and
- Declaration of the final dividend will not have to wait for approval at the Annual General Meeting.

Much is changing at AGL. However, I hope that some things will not change. These are the values that have guided us as an organisation. We strive for high ethical standards in dealing with our staff, our customers, our Proprietors and with the general community. We don't see corporate governance as simply a set of rules to be followed or guidelines to be observed. We expect honesty and openness from all those we deal with; we aim to act honestly and openly in return.

You would be disappointed, I am sure, to receive a report from me that did not mention regulation. AGL's national energy businesses span wholesaling, retailing, distribution and transport, as well as the ownership and operation of gas and electricity infrastructure. We are a national company, seeking to operate on a national basis. Yet, we interact with 14 regulatory bodies, overseeing the industry across Australia. There are also some 2,800 regulatory compliance obligations for which your Board is responsible. It requires a giant leap of faith to believe that can be efficient.

The problem is not just the proliferation of regulators. The system is inconsistent between forms of energy; it pays little attention to national energy objectives; it introduces substantial discontinuity between different parts of the market, particularly in the electricity market; and it fails in its stated aim of balancing the objectives of consumer protection, competition and the encouragement of investment.

It is encouraging that the defects in our regulatory system are becoming more widely recognised and the calls for change are growing. It is important that we achieve a co-ordinated, even-handed set of rules covering all participants in all states if we are to have, within the next few years, fully competitive wholesaling and retailing of energy across Australia with the interests of energy users being properly balanced against the need for adequate continuing investment in the sector. We will continue to press for that.

The past year has been something of a watershed for AGL. The acquisition of Pulse Energy was a major element in that. However, I would not wish to underrate the importance of our strategic review following the set-backs of 2000/2001. We can now face the future much more optimistically.

That does not mean the job is over. More needs to be done to ensure that the portfolio of activities is right and, most importantly, we need to absorb the Pulse Energy activities smoothly and efficiently so as to gain the available synergies and assure our new customer base of our commitment to their service.

On behalf of the Board and the Proprietors, I would like to thank all AGL staff for their untiring efforts during the year. Thanks to their commitment and dedication, your Company is well placed for the next stage of its development as Australia's paramount energy company. I would also like to add my personal thanks to the Managing Director, Greg Martin, for his leadership in difficult circumstances, and to my fellow Board members for their support.

M John Phillips AM
Chairman

22 August 2002

Board of Directors

M J Phillips AM
CHAIRMAN

M R G Johnson
DEPUTY CHAIRMAN

G J W Martin
MANAGING DIRECTOR

Sir Ronald Brierley

G J Reaney

D C K Allen AO

C J Hewson

A B Daniels OAM

THINKING FOUR STEPS AHEAD

I am pleased to report to Proprietors our resolve to move forward with a clear strategy for the future, building on the Group's core strengths in the downstream energy sector.

Our strategy on how best to grow AGL profitably for the benefit of our customers, our staff and our Proprietors was refocused as we reflected on the difficulties of our New Zealand subsidiary and the strategic rationale behind our investment in telecommunications.

We began the process with a close examination of our position in the market. We were the largest energy retailer in the Australian marketplace. We had a solid business made up of a number of different parts of the downstream energy chain: regulated infrastructure businesses; a business that managed and serviced energy transportation assets and developed new energy projects; and a national sales and marketing business with footprints in NSW, the Australian Capital Territory, Victoria and South Australia.

Our concentration, we decided, would continue to be on developing our position of market leadership in the downstream energy sector because that was where our experience, history and the skills and capabilities of our people lay. At the same time, we needed to develop a sustainable business model that, while cognisant of the nature and size of the Australian marketplace and our position in it, could fully exploit our core businesses and competencies to maximise Proprietors' returns.

Given this framework, we set about developing a strategy for our future. The strategy was built around four parts: filling the gaps identified in our business platform; building on our strengths and extracting full value from our existing businesses; reconfiguring our portfolio; and continuing to develop our Company culture and capabilities into an unbeatable competitive asset.

The first part of the strategy is not simply a matter of filling the gaps we identified in our business platform. While it had been clear to us for some time that a major gap for AGL was gas retailing in Victoria, the strategy was driven as much by the need to have a better balance in our business. We needed balance in earnings from both regulated and market-based businesses. We needed balance in the nature of those earnings, that is earnings with both yield characteristics and capital growth. We also needed to balance risks appropriately, given that the risk profile of our business was changing.

As the Chairman has noted in his Report, the acquisition of Pulse Energy, in July this year was an important acquisition for AGL. It represents a compelling and strategically important acquisition for the Company as it fills several gaps in our energy sales and marketing activities in the Victorian market – the second largest in the country. Indeed, I do not believe there was another energy company better positioned to extract as much value from the acquisition as we can.

Of course, no matter how exciting an acquisition is, the proof of the pudding, always, is in how well the new business is integrated. I can assure Proprietors that every effort is being expended to ensure our experience from past successful integrations of new businesses into AGL is applied to Pulse Energy. The leaders of the work teams involved in the Pulse Energy integration are the best in our business and I have every confidence that the acquisition will live up to its promise by delivering tangible returns to Proprietors.

Our long-term Proprietors will recognise our track record in this area. The acquisition of Solaris Power in Victoria and ETSA Power in South Australia moved AGL from a single-state gas company to a multi-state downstream energy company. Pulse Energy again moves AGL to a position of leadership as the largest downstream energy company in Australasia.

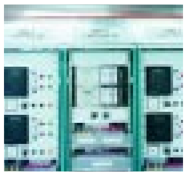
The integration process links back to the second part of our strategy, which is extracting full value from our existing businesses. AGL continues to benefit from businesses that provide solid organic growth opportunities. During the year we continued to grow our energy networks with new connections to both electricity and gas networks.

Our Agility business continues to blossom and is establishing a reputation as the country's leading designer, constructor, manager and operator of downstream energy infrastructure. It has completed a number of successful projects for clients around the country over the past twelve months and made good progress, both in profitability and in positioning itself for growth.

In New Zealand, there is now much more dialogue and interaction between AGL and our subsidiary there. We are moving to unlock further synergy benefits while at the same time working with NGC to assist it for future growth, earnings and cashflow returns to AGL.

Reconfiguring our portfolio, the third part of our strategy, resulted in a decision to exit from retail telephony products. Our original intent in purchasing Dingo Blue was to add a range of retail telephony products to our






gas and electricity retailing business. Our experience with this business, together with our strategy review, confirmed that the telecommunications sector was not part of AGL's core activities going forward. As a result, all fixed line and internet services offered by Dingo Blue terminated on 31 May 2002. We are currently pursuing a number of claims against Optus that relate to the original purchase and we are working towards the closure of the mobile telephone service.

Likewise, we have earmarked our investment in COMindico as a non-core asset and will be working with the other major shareholders to successfully complete the internet protocol network and the full product range being offered by COMindico. We are encouraged at the take-up rate of products and services already being sold into the market by COMindico and will look to profitably exit from this business at an appropriate time.

Ensuring appropriately flexible energy trading operations underpins decisions on reconfiguring AGL's business, including the acquisition of Pulse Energy. The power generation plants being built in Victoria and South Australia will substantially meet the very high peaks in demand on extreme summer days during the year in those markets. In addition, and very importantly, they will act as an insurance policy by providing greater pricing certainty during periods of extreme demand.

On the subject of competitively priced wholesale energy, work has continued during the year on securing competitively priced gas for our future. Our 30-year contract with the Cooper Basin producers will be coming to an end in the next few years. While the Pulse Energy acquisition has given us access to the principal Victorian gas contract supplied from the Bass Strait gas fields, it has not diminished our recognition of the need to build a competitively priced portfolio of gas contracts from multiple producing basins and parties. This includes potential new northern sources of both natural gas and coal-seam methane gas.

Another significant area of work this year has been in the vitally important area of risk management. We recognise that AGL continues to change, as does the nature of the risks experienced in a competitive marketplace. Nothing illustrated this more clearly than our experience in New Zealand last year. During the year Management, with full Board support and encouragement, completed a very detailed process of identifying how best we manage the major risks in AGL, both in terms of looking at the raw risks we face and the controls that are in place to manage and mitigate them.

The fourth and final part of our strategy concerns enabling us to make the changes that we need to, both culturally and operationally to ensure the above three parts of the strategy are delivered. We are continuing to develop AGL's high performance culture where an individual's remuneration and rewards are being directly tied to the achievement of the business objectives flowing from the strategy.

We will also continue to focus on building capability and leadership in the business. AGL needs a strong talent bench to deliver our strategy and this can only be achieved by creating a pool of talented people. Our clear goal is to attract, retain and grow talented people in an open and honest culture where individuals feel rewarded and recognised for the contributions they make.

While much is changing in AGL, one thing that remains constant is the commitment to nurture the values that have guided us as an organisation through good times and not so good times. We remain committed to advancing the interests of our Proprietors as we do to promoting the safety and wellbeing of our people and those who contract their services to us. Also high among our priorities is nurturing the associations we have built up in the communities in which we operate, as well as ensuring that our activities do not harm or damage the environments in which we do business.

We look forward to the future with great confidence. AGL's core energy businesses are performing well. We have a clear strategy that is focused on building upon our position of market leadership as well as a continued resolve to improve the performance of AGL.

G. Martin

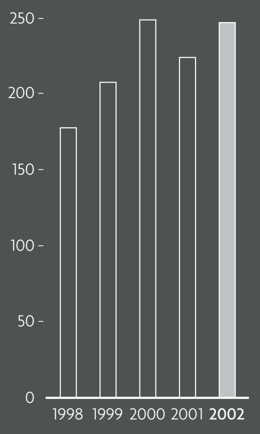
Greg Martin
Managing Director

22 August 2002

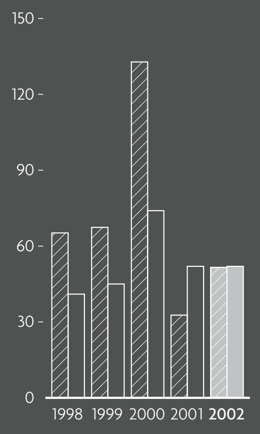
KEY MATTERS

During the year we:

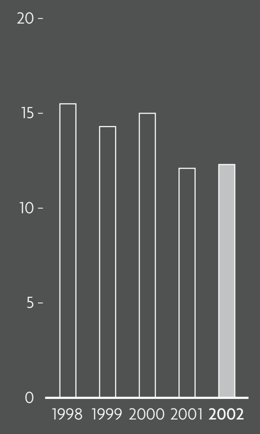
- Achieved a profit attributable to Proprietors of $192.1 million compared with $115.4 million for the previous year;
- Proposed a final dividend of 27 cents, franked to 16 cents per share (59.3% of dividend) payable on 16 October 2002;
- Committed AGL to a clear strategy for the future by building on the Group's core strengths in the downstream energy sector;
- Incurred a net residual $18.8 million loss by Natural Gas Corporation Holdings Limited, New Zealand, prior to that company's withdrawal from New Zealand electricity retailing from 1 August 2001;
- Exited the retail telecommunications investment in Dingo Blue and wrote off $42.4 million;
- Progressed the corporate conversion of AGL, including the removal of the 5% shareholding limitation. Conversion was approved by Proprietors on 3 July 2002 and is expected to take place in September 2002;
- Experienced the full-year effect of revised regulatory pricing arrangements in NSW for AGL's gas distribution network and in Victoria for AGL's electricity distribution network;
- Prepared for the introduction of full retail contestability for both gas and electricity in NSW and for electricity in Victoria from January 2002;
- Connected 33,373 new gas sites in NSW and 4,827 new electricity sites in Victoria;
- Converted 150 buses to natural gas fuel for the NSW State Transit Authority, including the construction of appropriate refuelling facilities;
- Settled Lot 3 of Breakfast Point, Mortlake for $26.9 million; and
- Achieved a 20% reduction in our Lost Time Injury Frequency Rate from 2.5 to 2.0.



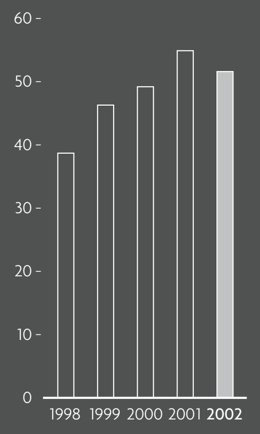
PROFIT ATTRIBUTABLE TO PROPRIETORS (EXCLUDING SIGNIFICANT ITEMS) ($ million)



EARNINGS PER SHARE
DIVIDENDS PER SHARE
(INCLUDING SIGNIFICANT ITEMS) (cents)



EARNINGS ON PROPRIETORS' EQUITY (EXCLUDING SIGNIFICANT ITEMS) (percentage)



DEBT: DEBT PLUS EQUITY (percentage)

FINANCIAL SUMMARY

YEAR ENDED 30 JUNE 2002 ($ MILLION UNLESS INDICATED)	2002	2001	CHANGE %
Revenue	3,219.0	3,540.3	(9)
Operating profit before borrowing costs, tax and including significant items	476.6	295.3	61
Borrowing costs	(172.2)	(181.9)	(5)
Income tax expense	(102.2)	(76.9)	33
Profit before outside equity interests	202.2	36.5	454
Outside equity interests	(10.1)	78.9	(112)
Profit attributable to Proprietors	192.1	115.4	66
Total assets	6,016.5	6,003.2	–
Total liabilities	(3,688.1)	(3,894.9)	(5)
Net assets	2,328.4	2,108.3	10
Proprietors' equity	2,101.0	1,905.9	10
Outside equity interests	227.4	202.4	12
Total equity	2,328.4	2,108.3	10
Cash flow from operating activities	344.3	297.4	16
Capital expenditure	412.6	384.7	7
Net borrowings	2,484.1	2,568.5	(3)
Earnings per share after significant items (¢)	51.6	32.7	58
Dividends per share (¢)	52.0	52.0	–
Earnings on Proprietors' equity after significant items (%)	9.6	6.3	52
Debt : debt plus equity (%)	51.6	54.9	(6)
Net borrowing costs cover (times)	3.2	2.9	10
Net tangible assets per share ($)	3.17	2.46	29
Net assets per share ($)	5.50	5.30	4

GAS ENERGY UNITS

The basic unit of energy used in the gas industry is a joule.

1 megajoule (MJ) = 1 million joules
1 gigajoule (GJ) = 1 thousand megajoules
1 terajoule (TJ) = 1 million megajoules
1 petajoule (PJ) = 1 billion megajoules

It takes approximately one megajoule to boil enough hot water for 14 cups of tea.

Conversion from electricity to gas – kilowatt hours to megajoules: 1 kilowatt hour = 3.6 megajoules

ELECTRICITY ENERGY UNITS

The basic unit of energy used in the electricity industry is a watt hour.

1 kilowatt hour (kWh) = 1 thousand watt hours
1 megawatt hour (MWh) = 1 thousand kilowatt hours
1 gigawatt hour (GWh) = 1 thousand megawatt hours

It takes approximately 300 watt hours to boil enough hotwater for 14 cups of tea.

	Energy Sales & Marketing	Agility	Natural Gas Networks
			
AT A GLANCE	1,206 employees 1,380,145 natural gas customers 1,577,491 electricity customers 383,937 dual-fuel customers (natural gas & electricity) 37 energy shops, both franchised and non-franchised	100% AGL 1,085 employees 9,000 KM high-pressure gas transmission pipelines serviced and managed 26,000 KM gas distribution networks serviced and managed 7,100 KM electricity distribution network serviced and managed	100% AGL 22,763 KM natural gas distribution network in NSW 97.2 PJ natural gas transported 860,564 gas sites
ACTIVITY	AGL's Energy Sales & Marketing (ES&M) division is a retailer, wholesaler and trader in natural gas, electricity and energy-related services to AGL's customers throughout Australia. ES&M employees are focused on a wide range of activities in energy sales, sales support and marketing.	Agility is wholly-owned by AGL and was established in 2000 to provide infrastructure management and services to asset owners and managers. Agility assists owners in maximising their returns and securing new infrastructure development initiatives. The business is responsible for provision of a cost effective, timely and efficient range of services including metering, repairs and maintenance and project management activities including design, approvals and construction of infrastructure.	Gas Networks comprises an extensive natural gas network in NSW. Through this business AGL distributes gas to towns and cities across NSW and transports natural gas for a number of third-party gas retailers. Gas Networks is managed by AGL's infrastructure management and services business, Agility.
ACHIEVEMENTS 2001/2002	• Successful opening of gas and electricity markets in NSW and electricity markets in Victoria, giving all customers the ability to choose their energy retailer. • Successful entry into the Western Australian natural gas market with an ES&M office opened in Perth. • Second landfill gas-fuelled generation facility completed at West Nowra, NSW. • Second tranche of 150 natural gas buses and refuelling facilities for NSW State Transit Authority completed.	• Commissioning of Stages 4B and 5 of the Roma to Brisbane looping project eight weeks ahead of schedule. • Completed construction and commissioning of the Singleton lateral in NSW. • Completion of the Wiluna compressor station on the Goldfields Gas Pipeline, WA. • Secured a 15-year contract to construct, own, operate and maintain a new 66/22 kV electricity substation at Melbourne Airport.	• 33,373 additional gas sites. • 229 km of new distribution network, mostly for new housing and the Singleton lateral.

Electricity Networks

100%
AGL

7,123 KM
electricity distribution network in Victoria

3,983 GWh
electricity transported

265,753
electricity sites

Electricity Networks comprises the 950 sq km electricity distribution network in north-west greater Melbourne, servicing the international airport and some major transport routes.

Electricity Networks is also managed by AGL's infrastructure management and services business, Agility.

- 4,827 additional electricity sites.
- 82 km of new distribution network.

Power Generation

100% – Somerton
AGL

100% – Hallett
AGL

100% – Cawse
AGL

15% – SCE
AGL

50% – Windimurra
AGL

AGL owns and manages a gas-fired power plant at Somerton in Victoria and a dual-fuel power plant at Hallett in South Australia. These plants support AGL's retailing operations.

AGL also owns the Cawse power plant outside Kalgoorlie and has interests in the Southern Cross Energy (SCE) power assets and the Windamurra power plant in the mining and mineral processing regions of Western Australia.

- Partial commissioning of Hallett power plant.
- WA power generation assets identified for disposal.

Australian Pipeline Trust

30%
AGL

7,000 KM
high-pressure natural gas transmission pipelines

AGL has a 30% interest in the Australian Pipeline Trust (APT), a public investment trust, which was listed on the ASX in June 2000. APT transports 25% of Australia's natural gas through a network of major pipelines.

Growth opportunities expected to come from the expansion and interconnection of existing pipelines and from the acquistion of new pipelines.

- Construction of Stage 5 of the Roma to Brisbane looping project completed.
- Construction of the lateral pipeline in Ipswich, Queensland to the CS Energy plant completed.

ActewAGL

AT A GLANCE

50%
AGL

226,559
customers

3,583 KM
natural gas distribution network in the ACT

4,855 KM
electricity distribution network in the ACT

ACTIVITY

ActewAGL is a joint venture between AGL and the ACT Government. It was established in 2000 and is the first utility joint venture in Australia between a private company and a public-owned enterprise.

The ActewAGL joint venture owns and operates the electricity and gas networks in the ACT. It is a combined electricity and gas marketing business as well as operating the water and sewerage assets, which remain in the hands of the ACT Government.

ACHIEVEMENTS 2001/2002

- Acquired gas distribution and retail business in Nowra.
- Call Centre voted second best performing utility call centre in Australia.

NGC

AT A GLANCE

66%
AGL

470
employees

3,400 KM
owned/operated gas transmission and/or hydro-carbon pipelines

2,550 KM
gas distribution network

500 MW
power generation capacity

ACTIVITY

AGL has a 66% investment in Natural Gas Corporation Holdings Limited (NGC) which owns and/or operates gas transmission and distribution systems throughout the North Island of New Zealand.

NGC has involvement in over 500 MW of power generation capacity in New Zealand which includes 32 MW of hydro-generation in the South Island.

ACHIEVEMENTS 2001/2002

- Swift exit from electricity retailing.
- Business refocus.
- Acquisition of energy metering assets of Genesis Power.

TrustPower

AT A GLANCE

20.5%
AGL interest

280,000
customers

424 MW
power generation capacity

ACTIVITY

AGL has a 20.5% interest in TrustPower, a regional electricity retailer and generator in New Zealand, with 280,000 customers and with 424 MW of power generation capacity including hydro-generation and a wind farm on the North Island.

ACHIEVEMENTS 2001/2002

- Strong recovery from the difficult trading conditions experienced in 2000/2001.
- Highly regarded by the market for its energy retailing systems and activities.

Gas Valpo

100%
AGL

106
employees

33,720
customers

329 KM
gas distribution network

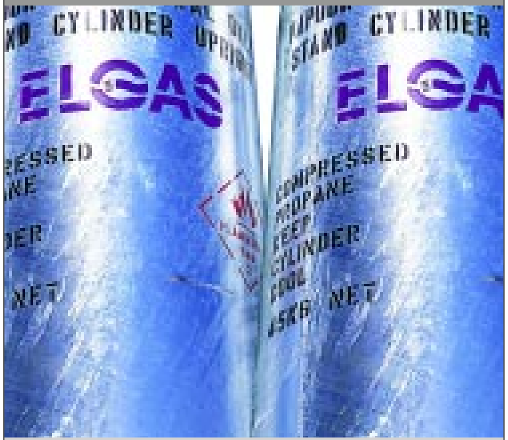
3.8 PJ
gas distributed

AGL owns Gas Valpo, a large gas distributor in Chile. Gas Valpo is situated in the coastal cities of Valparaiso and Vina del Mar.

Gas Valpo distributes and markets natural gas to residential, commercial and industrial customers in the coastal region west of Santiago.

- Gas Valpo continues to rehabilitate the existing distribution system and convert existing ‘town gas’ customers to natural gas.
- 15-year gas supply and conversion contract with the El Teniente copper mine and Caletones processing facility.

LPG



50% – Elgas
AGL

100% – HCE
AGL

400,000
Elgas customers

15
HCE employees

AGL’s LPG interests include a 50% investment in Elgas, Australia’s leading distributor and retailer of LPG. Elgas owns and operates the only underground cavern storage facility in the Southern Hemisphere, storing 65,000 tonnes of LPG 130 metres underground.

H C Extractions (HCE) is a wholly-owned subsidiary of AGL which produces LPG and naphtha. The HCE plant in Kurnell was commissioned and built by AGL in 1987.

- Increased volumes through Elgas Cavern.
- Sold 50% autogas assets to Unigas.
- Major maintenance on HCE turbine completed.

Telecommunications Networks

24% – COMindico
AGL

21% – TransACT
AGL

110,000
TransACT potential customers

15,000 KM
TransACT cable rolled out

TransACT is a broadband local-loop telecommunications network for Canberra and the ACT. TransACT is currently connecting homes and businesses with high-speed internet access and other broadband data intensive applications.

COMindico is a wholesale supplier of integrated data and voice telephony services. COMindico delivers communication services to internet service providers, telephony carriers and sellers, and to new communication business opportunities.

- TransACT rollout continues on schedule, with customers significantly ahead of plan.
- COMindico is performing satisfactorily against its business plan.

Mark Harper
GROUP GENERAL MANAGER OPERATIONS

Mark Harper was appointed to this position on 1 July 2002. Prior to this Mark held the position of Chief Executive Officer of Agility.

Mark joined AGL in October 1987 as Internal Audit Manager. He then held a number of positions including Financial Controller of AGL Sydney Limited, Manager Information Systems, Manager of AGL's Southern NSW businesses and Manager Business Development for AGL Gas Networks Limited. From 1997 Mark worked in the Energy Sales & Marketing division as Manager Business Services.

Mark holds a Bachelor of Commerce degree from the University of NSW, is a member of the Institute of Chartered Accountants, an executive committee member of APIA and a Board member of ActewAGL.

John Fletcher
CHIEF FINANCIAL OFFICER

John Fletcher has held this position since August 1997, prior to which he held a number of senior positions including Group Manager Finance, Group Controller and Treasurer.

John joined AGL in 1979 as a financial analyst, having previously worked in South Africa and England in various capacities.

John is also a Director of Elgas Limited, the Australian Pipeline Trust and Natural Gas Corporation Holdings Limited of New Zealand.

Lorraine Murphy
GROUP MANAGER PEOPLE & CULTURE

Lorraine Murphy began her career in learning and development roles in the banking sector before joining chemical company, the ICI Group. Lorraine spent nine years with the group in a range of human resource roles including HR manager at Dulux Paints and a period in the UK. Her last role was as the HR Director for Lion Nathan Australia, Australia's second largest brewer.

Lorraine is a seasoned HR professional. She has outstanding skills in leadership development, change management and reorganisation programmes that make people the focus of the organisations she works in and the companies great places to work.

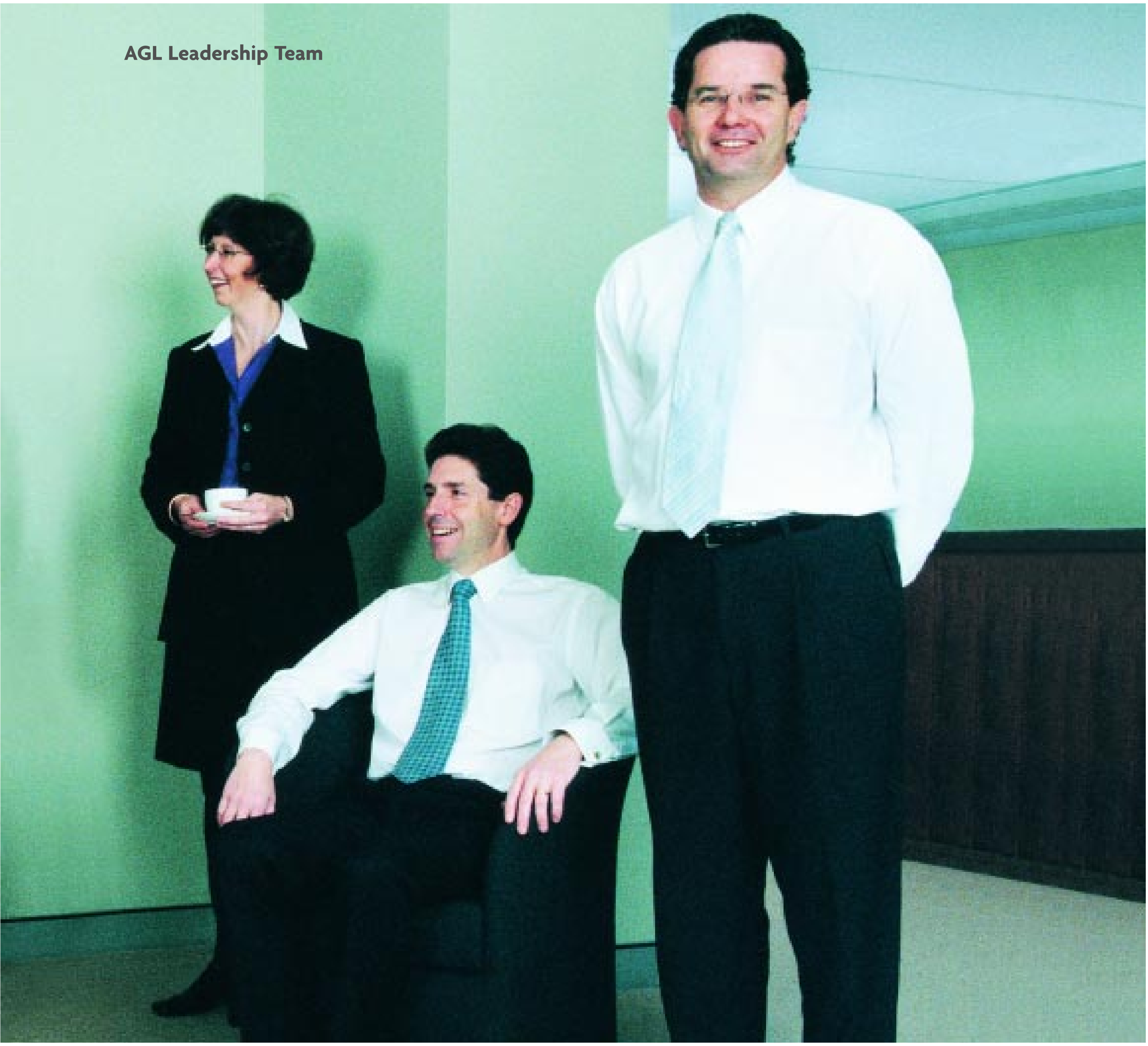
Lorraine has an MBA from Monash University and is currently studying for her Masters degree in psychology.

Les Fisk
GROUP MANAGER CORPORATE SERVICES & COMPANY SECRETARY

Les Fisk was appointed to this position in August 1997, having joined AGL as Company Secretary in July 1995. Prior to this, Les had a 25-year career with Qantas Airways Limited.

Les is responsible for the Secretariat including subsidiaries, Legal Affairs, Group Audit & Risk Management, Insurance & Corporate Purchasing, Motor Transport, Share Registry, Property and Security. He is also a Director of Elgas Limited and the Australian Pipeline Trust.

Les is a Fellow of the Chartered Institute of Company Secretaries, Fellow of the Australian Society of Certified Practicing Accountants and a Fellow of the Australian Institute of Company Directors.



Jane McAloon
GROUP MANAGER EXTERNAL AFFAIRS

Jane McAloon was appointed Group Manager External Affairs in July 2002 following the retirement of Bill McLaughlin.

Jane has spent the last several years working in a variety of positions with the NSW Government including most recently as Assistant Director General of the Cabinet Office. She has previously worked as Director General of the Ministry of Energy and Utilities, as Executive Director (Strategy) for the Coordinator General of Rail during the Olympics and Executive Director (Strategy and Policy) for the Department of Land and Water Conservation.

Jane is a graduate member of the Australian Institute of Company Directors and holds degrees in Economics (honours) and Law from Monash University.

Greg Martin
MANAGING DIRECTOR

Greg Martin was appointed Managing Director on 1 March 2001, having joined AGL in 1981. Prior to this appointment Greg was Group General Manager of AGL's largest division, Infrastructure Management & Services and the Chief Executive of Agility.

Greg is the Chairman of Natural Gas Corporation Holdings Limited of New Zealand, Deputy Chairman of the Australian Gas Association and a Trustee of the Committee for the Economic Development of Australia (CEDA), representing AGL.

Greg holds degrees in Economics and Law. He is a Fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

Michael Fraser
GROUP GENERAL MANAGER ENERGY SALES & MARKETING

Michael Fraser manages the retail arm of AGL. In recent years Michael has led the Company's rapid expansion into practically every 'open' energy market in Australia.

Michael's role covers AGL's retailing, energy trading, marketing, power generation and customer service activities.

Michael has more than 18 years energy industry experience gained from working in areas such as sales and marketing, distribution, corporate services and regulatory management.

Michael is Chairman of ActewAGL and a Director of Elgas Limited. He is a Fellow of the Taxation Institute of Australia and holds a Bachelor of Commerce degree from the University of NSW.

ENERGY NETWORKS

AGL's interests in gas and electricity distribution networks comprise two regulated wholly-owned businesses: Gas Networks in NSW and Electricity Networks in Victoria. Both own energy infrastructure and contract capacity to energy retailers who use our infrastructure to transport energy to their customers.

AGL's infrastructure management and services company, Agility, provides operational and maintenance services to Energy Networks.

The Energy Networks division contributed $212.1 million to profit before borrowing costs, tax and significant items, a decrease of $31.3 million from the corresponding period last year.

The financial performance of both Gas and Electricity Networks was adversely affected by warmer than anticipated weather in the latter period of winter 2001 and the start of winter 2002, as well as the negative impact of the first full year of revised regulatory arrangements. These arrangements were introduced in NSW in October 2000 by the Independent Pricing and Regulatory Tribunal (IPART), and in Victoria in January 2001 by the Office of the Regulator General, now replaced by the Essential Services Commission (ESC).

Gas Networks

Gas Networks contributed $151.3 million to profit before borrowing costs, tax and significant items, which is a decrease of $21.4 million from the corresponding period last year. Prior year profit included a part-year profit of $10.3 million from the three months operations prior to the sale of the gas assets into the ActewAGL joint venture and a profit of $4.6 million from the sale of network assets in the south-west slopes of NSW. The 2001/2002 performance was achieved despite the negative impact on contract revenue of $18.0 million as a result of the implementation of the revised Access Arrangement. Return on funds employed before borrowing costs, tax and significant items was 15.5%.

After adjusting for these significant year-on-year variances the underlying Gas Networks' business has returned a profit growth before borrowing costs and tax of $11.5 million, an improved result of more than 8.2% on the previous year. Use of the former Gas Customers' Reserve Account (GCRA) declined to $17.2 million from $27 million in the prior year.

Gas transported was 97.2 PJ to 860,564 sites, a decrease of 6.0 PJ compared to last year. This reflected the loss of the BHP Sithe distribution load and the warmest winter in Sydney since 1988. However, the loss was offset by Gas Networks' continued strong growth. New site growth, mostly in new housing, saw a further 33,373 sites added to the network. These new sites have extended the distribution network by a further 229 km, bringing the total length to 22,763 km.

New prices for all tariff and contract delivery points were introduced on 1 July 2001 resulting in an average rise in tariffs of 2% based on the revised Access Arrangements.

Gas Networks transports natural gas (in accordance with non-discriminatory third-party arrangements) to licensed gas retailers including: Energy Australia, Citipower, Origin Energy and Country Energy, in addition to AGL's own retail businesses, which remain the largest shippers.

The Ministry of Energy and Utilities introduced changes in gas distribution licensing which required Gas Networks to develop system changes to facilitate the introduction of full retail contestability. Gas Networks' business systems were modified accordingly and the associated costs are being recovered through a price increase that came into effect on 1 January 2002 and the use of $4.6 million of the GCRA provision during the year. The remaining $4.9 million balance in the GCRA will be extinguished by 30 June 2004.

Electricity Networks

Electricity Networks contributed $60.8 million profit before borrowing costs and tax, a decrease of $9.9 million on its contribution for the corresponding period last year. The reduction was principally due to the impact on revenue of the Distribution Price Review that became effective in January 2001. Return on funds employed before borrowing costs and tax was 5.9%.

Electricity transported was 3,983 GWh to 265,753 sites, in line with last year's result. This reflects milder than anticipated winter weather and reduced activity by

Energy Networks

$212.1 MILLION

The Energy Networks division contributed $212.1 million to profit before borrowing costs, tax, and significant items.

Gas Networks

33,373 NEW SITES

New site growth saw a further 33,373 sites added to the network. These new sites have extended the distribution network by a further 229 km, bringing the total length to 22,763 km.

Electricity Networks

4,827 NEW SITES

New site growth saw a further 4,827 sites added to the network. These new sites have extended the distribution network by a further 82 km, bringing the total length to 7,123 km.

Agility

9,000 KM

Agility services and manages 9,000 km of high-pressure gas transmission pipelines.

major businesses, offset by continued growth of the network. New site growth saw a further 4,827 sites added to the network. These new sites have extended the distribution network by a further 82 km, bringing the total length to 7,123 km.

During the year each electricity distributor was required by the ESC to develop a Use of System Agreement, which was subsequently introduced in early 2002. This agreement establishes a baseline contract between each distributor and the retailers seeking to use its infrastructure.

In September 2001 the ESC released its annual report comparing the performance of Victoria's five electricity distributors for the calendar year 2000. The ESC reported that AGL Electricity Networks had shown the most improvement of all distributors, the most consistent performance in supply reliability and was the only distributor to achieve improvement in both unplanned interruption frequency and duration.

On 9 November 2001, SPI Powernet suffered a transformer overload at its West Melbourne Terminal Station. The resultant blackout of the Melbourne CBD subsequently affected Electricity Networks' substations at Footscray and Flemington. We have lodged an application with the ESC to discount the effect of this incident from performance assessment criteria that may otherwise misrepresent Electricity Networks' system reliability.

Full retail contestability was introduced in January 2002 and we have continued to develop the systems and procedures necessary to support and facilitate the new arrangements. The cost of these changes was factored into the Distribution Price Review.

REGULATORY ISSUES

There were no major regulatory reviews affecting AGL's gas or electricity network assets during the year. There was however considerable activity by various authorities in reviewing or modifying regulatory frameworks at both state and national levels.

The Productivity Commission conducted a review of the National Access Regime and published a position paper in March 2001. A final report was submitted to the Federal Treasurer in October 2001, but has not yet been made public. However its recommendations are not expected to depart radically from the position paper. At a conference in March 2002 the Commission's Chairman has reiterated its views on regulation:

"The Commission's recent inquiries have revealed a need to re-balance the emphasis in infrastructure regulation away from achieving immediate gains for users and consumers from existing assets.....to a regulatory framework that will also facilitate efficient investment in new facilities. In this way, pro-competition regulation is more likely to ensure that Australia has modern infrastructure which is developed and used efficiently, with long-term benefits to the Australian community".

The Commission's consistent view is that, while there is an important continuing role for access regulation, refinements are necessary to reduce the risks of deterring investment in infrastructure facilities.

Infrastructure owners have strongly endorsed the Commission's conclusions and have urged release of the final report. Additionally, the gas industry has sought an urgent review of the National Gas Code based upon the regulatory refinements proposed by the Commission.

Another major initiative was the Council of Australian Governments' sponsored review of Australian energy market directions. This was formally launched in March 2002 with the release of a discussion paper. The review committee noted that one of its priority issues would be regulatory approaches that effectively balanced incentives for new supply investment, demand responses and benefits to consumers. The committee is currently evaluating submissions and undertaking extensive public consultation.

AGILITY

Since its establishment in 2000, Agility's contribution to AGL's profit has continued to grow reflecting, in part, its successful attainment of third-party market opportunities. In the year ended June 2002, the business' revenue increased 10.0% to $272.6 million, while profit before borrowing costs, tax and significant items increased 63.7% to $46.5 million. This exceptional result was achieved in an environment of strong competition in the infrastructure services market and during a cyclical downturn in major construction opportunities.

Agility services and manages 9,000 km of high-pressure gas transmission pipelines. Our significant management contracts with the Australian Pipeline Trust (APT), ActewAGL, Country Energy, as well as AGL's own gas and electricity distribution networks, provides it with significant recurring revenues, whilst at the same time saving costs for its infrastructure customers.

Agility also services and manages 26,000 km of gas distribution networks and 7,100 km of electricity distribution network. It provides a range of efficient services (including metering and emergency response), using a highly skilled and experienced workforce, as well as a suite of services, ranging from planning and approvals, through to engineering, procurement, construction and commissioning.

Highlights during the year included:

- Securing a 15-year contract with Melbourne Airport to construct, own, operate and maintain a new 66/22 kV electricity substation;
- Commissioning of Stages 4B and 5 of the looping project on the Roma to Brisbane pipeline in Queensland on behalf of APT, eight weeks ahead of schedule. Stage 6, due for completion in October 2002, commenced in May 2002 following successful negotiation, on behalf of APT, for additional gas transportation arrangements to major industrial users in the Brisbane area;
- Securing a 15-year contract with ActewAGL to manage and service the Nowra gas distribution network;
- Completion of construction and commissioning of the Singleton lateral in NSW for AGL Gas Networks;
- Completion of the Wiluna compressor station on the Goldfields Gas Pipeline in Western Australia for the Goldfields Gas Trust;
- Continuing rollout of the TransACT broadband fibre-optic telecommunications local area network in the ACT. Agility has installed 580 km of various-sized cable in over 16 suburbs and a further rollout of 880 km of broadband cable has commenced; and
- Commencement of construction of the Mornay Tank compressor station on the Queensland Carpentaria Gas Pipeline for the Roverton joint venture. Agility will operate and maintain the station following commissioning of the compressor.

Looking forward, Agility will continue to focus on developing its business by targeting infrastructure services to energy utilities and continue to develop alliances to provide infrastructure services to non-energy customers.

In a major endorsement of Agility's focus and emphasis on safety, the Agility Simulation Manual won the NSW Post-Disaster Private Sector Stream Award from 31 other entrants in NSW, including emergency services such as Police, Fire Brigade and Ambulance.

ENERGY SALES & MARKETING (ES&M)

ES&M contributed $102.2 million to profit before borrowing costs, tax and significant items compared with $110.4 million for the corresponding previous year. Return on funds employed before borrowing costs, tax, significant items and including guarantee support was 16.1%.

Included in last year's results was a contribution of $4.4 million from the ACT/Queanbeyan gas business for the three months prior to its sale to the ActewAGL joint venture. Consequently, the like-for-like decrease in profitability was $3.8 million. Factors which impacted the underlying operating result were the Victorian Government's decision to cap retail electricity prices and the very mild summer weather experienced in South Australia and Victoria.

Superior service has been a key focus in achieving a competitive advantage against other retailers in the residential and small business markets. Our Contact Centres continued to achieve outstanding results in the National Customer Service Benchmarking Australia surveys. The NSW and ACT Contact Centres were named as the leading service providers for the July to December 2001 period.

January 2002 marked the opening of gas and electricity markets in NSW and electricity markets in Victoria, giving all customers the ability to choose their energy retailer. This required a comprehensive programme for the start of customer choice. The programme involved the design, testing and implementation of new processes, systems and organisational changes to allow for the efficient and timely transfer of customers between the various retailers.

Supported by the 'Mimi the Mouse' advertising campaign, reinforcing the message of 'Comfort Darlinks, Comfort'

Energy Sales & Marketing

$102.2 MILLION

The ES&M division contributed $102.2 million to profit before borrowing costs, tax and significant items.

Natural Gas

110.5 PJ

Total natural gas sales were 0.5 PJ higher than last year's 110.0 PJ due to additional wholesale sales, particularly in South Australia.

Electricity

10% GROWTH

Increased electricity volumes in the Victorian retail electricity industrial and commercial markets.

Energy Services

158,000 TONNES

Energy Services projects will result in emission reductions totalling 158,000 tonnes per annum through methane destruction.

– AGL was ready to offer both gas and electricity to NSW customers. The Victorian gas market will open for competition from October 2002.

Interestingly, the advent of contestable mass markets for gas and electricity in NSW and for electricity in Victoria has not produced significant levels of customer switching, with customers choosing to stay with their existing retailer. In Victoria, this was due in part to decisions made to cap mass market electricity retail prices at levels which do not enable retailers to make offers sufficiently different to tempt large numbers of customers to switch to another energy retailer. That having been said, as at 30 June 2002, AGL had achieved a net gain of approximately 4,000 gas and electricity residential customers across NSW and Victoria. Importantly AGL has made excellent progress in securing its customer base.

Natural Gas

As a retailer and wholesaler providing natural gas and associated services to industrial and commercial businesses and homes around Australia, the total natural gas sales were 0.5 PJ higher than last year's 110.0 PJ due to additional wholesale sales, particularly in South Australia. This increase was offset by competition from the Eastern Gas Pipeline which commenced supplies from Victoria to NSW in October 2001.

The acquisition of 35,457 new residential and small business customers in NSW resulted in an increase in sales from 29.3 PJ to 30.6 PJ. This increase has been adjusted for the effect of customer volumes transferred to ActewAGL in the previous year.

Our entry into the natural gas market in WA was highly successful. In WA's industrial and commercial market, national contracts were extended and new customers acquired whose demand levels currently approach 1.0 PJ per annum.

With the current natural gas supply contract for the NSW market expiring in 2006, considerable focus has been given to securing new sources of gas beyond that time. Negotiations have commenced with producers in Cooper Basin, Undan/Bayu Timor Sea, Papua New Guinea, Gippsland and the Otway Basin.

Electricity

Retail electricity results in the industrial and commercial markets of Victoria and NSW demonstrated strong growth levels, with a 10% and 112% growth respectively, in total load supplied over the prior year. Strong growth rates are expected to continue in the immediate future.

However, residential market sales declined 4.0% (214 GWh) in South Australia and 2.0% (24 GWh) in Victoria due to very mild summer weather conditions which lowered electricity demand.

Energy Services

Energy Services provides business customers with innovative solutions to their total energy requirements by supplying value adding products and services that extend beyond the sale of energy. Examples include energy monitoring, programmed maintenance, power factor correction, power quality analysis and energy management advisory services. This also extends to building, owning and operating energy plant and equipment for customers.

An office providing a full suite of energy services was also established in Perth during the year.

Revenue potential has continued to improve with the commissioning of the cogeneration plant at Werribee Sewerage Plant (Melbourne Water), a 'landfill gas-fuelled' generation facility completed at West Nowra and with development underway on a further three facilities. This will bring the total capacity of these projects for emission reductions to 158,000 tonnes per annum through methane destruction, while contributing to the growth of the AGL renewable generation capacity by 54,000 Renewable Energy Certificates per annum. To comply with the Federal Government's mandatory renewable energy target, the first tranche of certificates were registered and the first carbon credits trade was completed with the Commonwealth Bank of Australia.

During the year, development commenced on the third phase of the Coopers Brewery project in South Australia. In addition to the high voltage facility and the boiler, a 4.4 MW cogeneration facility will provide electricity and steam to the new brewery site. In WA, Energy Services commenced development of two new landfill projects at Rockingham and Gosnells.

The conversion of a further 150 buses to natural gas fuel for the NSW State Transit Authority, and the construction of appropriate refuelling facilities were completed.

Power Generation

AGL has continued to develop its power generation capabilities through the construction of two peaking generation plants. A 150 MW gas-fired plant is being constructed at Somerton in Victoria and a 180 MW dual-fuel plant is being constructed at Hallett in South Australia. Both plants are expected to be fully commissioned in time for the summer peaks of 2002/2003. These plants will provide AGL with a natural hedge against volatility in electricity spot prices during periods of peak electricity demand. The partially commissioned Hallett plant has already benefited AGL during recent periods of high spot prices on the National Energy Market, earning generation revenue and containing market price increases.

In addition, AGL also owns gas-fired power generation and cogeneration plants, mainly in WA's mining and minerals processing regions.

In WA, AGL also has a 20 MW plant operating at Cawse (60 km north-west of Kalgoorlie) and through the Southern Cross Energy business (AGL 15%), 250 MW of plants over four sites between Mt Keith and Kambalda. A 13 MW plant has also been operating at Windimurra (AGL 50%), 70 km east of Mt Magnet. The single customer nature and remote location of these plants do not fit AGL's current strategy and, as a result, their continuing ownership is currently under review.

INVESTMENTS

AGL's share of equity accounted profits from its 30% investment in Australian Pipeline Trust was $16.3 million for the year ($10.5 million in 2000/2001).

The ActewAGL distribution and retail joint venture (AGL 50%) contributed $43.1 million compared to $26.3 million in the previous year. The significant increase was the result of both increased revenues and cost efficiencies. In addition, AGL earns revenue by providing services to ActewAGL through both the ES&M and Agility businesses.

During the year ActewAGL acquired Integral Energy's gas distribution and retail business in Nowra, NSW for which AGL businesses also provide ongoing support services. Return on funds employed before borrowing costs, tax and significant items from the investments was 17.5%.

INTERNATIONAL

New Zealand

The financial turnaround of Natural Gas Corporation Holdings Limited (NGC), following its exit from the volatile electricity retailing businesses, was swift with the company returning to profitability within the first half of the 2001/2002 financial year.

NGC's contribution to AGL profit before borrowing costs, tax, outside equity interests and significant items, was $132.8 million compared with $86.1 million for the corresponding previous year.

Two significant items affected the result. The first was $43.2 million before tax, incurred in July 2001 from abnormally high wholesale electricity prices prior to NGC exiting the electricity retail business from 1 August 2001. NGC reached agreement to sell its North Island commercial and residential customers to Genesis Power from that date. The sale of the South Island electricity customer base to Meridian Energy was completed in mid July 2001.

The second was a receipt of $10.0 million before tax, paid by Contact Energy following early termination of former Enerco gas supply contracts.

Excluding the discontinued business of electricity retailing, earnings from the ongoing businesses substantially increased. Gas sales volumes were up 12.6%, transported gas volumes up 7%, generated electricity sales up 4.6%, gas liquid sales up 15.7% and sales increased from the expanded energy metering business by 12.1%. Following the acquisition of 160,000 electricity meter installations from Genesis Power in August 2001, NGC now holds 41% of the metering market, with nearly 800,000 installations nationwide.

In addition, NGC continued to work on important issues for repositioning its business including a review of generation activities, participation in the New Zealand Government's review of the gas sector and pursued operational efficiencies to improve profitability.

Power Generation

330 MW

A 150 MW gas-fired plant is being constructed at Somerton in Victoria and a 180 MW dual-fuel plant is being constructed at Hallett in South Australia.

Investments

$43.1 MILLION

The ActewAGL distribution and retail joint venture (AGL 50%) contributed $43.1 million compared to $26.3 million in the previous year.

New Zealand

$132.8 MILLION

NGC's contribution to AGL profit before borrowing costs, tax, outside equity interests and excluding significant items was $132.8 million compared with $86.1 million for the corresponding previous year.

Elgas

$11.3 MILLION

Elgas' (AGL 50%) contribution to profit before borrowing costs and tax increased by $6.5 million to $11.3 million primarily as a result of lower international prices for LPG.

AGL also maintained its continuing interest of 20.5% in the retail and generation company, TrustPower Limited. The company is a regional electricity retailer and generator with 280,000 customers and 424 MW of power generation. Like NGC, TrustPower was also adversely affected by the dislocation in the retail trading market last year. As a result, TrustPower contributed to AGL $4.8 million profit before borrowing costs, tax and significant items, down $0.7 million from last year.

Returns on funds employed before borrowing costs, tax and significant items for the New Zealand businesses was 9.1%.

Chile

Gas Valpo contributed $2.9 million profit before borrowing costs and tax compared with a loss of $1.4 million last year.

The business now has 33,720 customers and operates in a region which contains some of the largest energy users in the country including a copper smelter, an oil refinery, a cement plant and the Chilean Navy.

Gas Valpo won a 15-year gas supply and conversion contract with the El Teniente copper mine and Caletones processing facility, owned by the Chilean Government business Codelco. The facility's conversion to natural gas from fuel oil and diesel will increase Gas Valpo's sales by 2.4 PJ to 4.9 PJ a year and provide significant environmental benefits. The contract will also enable Gas Valpo to sell gas outside Region V into the populous capital of Santiago, as well as into Gas Valpo's developing supply areas in Region VI.

TELECOMMUNICATIONS

Telecommunications contributed a loss of $13.5 million before borrowing costs, tax and significant items compared with a loss of $11.2 million for the previous year.

In December 2001 a strategic decision was taken that direct telecommunications retailing would not be part of AGL's core business. Consequently the decision was taken to exit the Dingo Blue business resulting in a write-off of AGL's investment of $42.4 million. AGL continues to pursue a number of contractual matters with Optus relating to the original purchase.

COMindico (AGL 24%) is a national internet protocol based convergent voice and data network. As announced earlier this year AGL invested a further $22.5 million in COMindico. The company is performing satisfactorily against its business plan and as it moves from a greenfields development to fully operational AGL will consider its position. The present belief is that COMindico will not form part of AGL in the future.

A further $20.7 million in TransACT (AGL 21%) enabled the continued rollout of the network. Rollout of the TransACT network continues on schedule with customer numbers significantly ahead of plan. The entire network, able to service around 110,000 residential and commercial customers, is contracted for completion in late 2003, and uses the poles and easements of ActewAGL's existing electricity network.

LPG BUSINESSES

Elgas

Elgas' (AGL 50%) contribution to profit before borrowing costs and tax increased by $6.5 million to $11.3 million primarily as a result of lower international prices for LPG. World LPG prices which in the past few years have been highly volatile, stabilised during 2001/2002. The lower average prices were brought about by reduced world economic activity and consequently weaker world oil prices. At the same time, the Australian dollar declined in value, which partly offset the lower US dollar price. However since the beginning of 2002, the Australian dollar has appreciated against the US dollar, with a consequential benefit to the Australian cost of LPG.

In addition, increased volumes through the Elgas Cavern resulted in higher returns from the midstream business. Retail sales benefited from lower, more stable prices. At the same time, one of the cooler summers on record helped to stimulate demand. Winter demand in 2001 was disappointing but early winter demand in 2002 has been encouraging. Although LPG has suffered competitively against other fuels over recent years, its demand continues to grow.

In August 2001, Elgas sold 50% of its autogas assets to Unigas, a joint venture partnership with Wesfarmers Kleenheat Gas, resulting in a one-off contribution of $1.4 million. The new partnership will provide scale in the very highly competitive autogas market.

Return on funds employed before borrowing costs, tax and significant items was 10.9%.

H C Extractions

H C Extractions conducted major maintenance during the financial year including replacing the turbine. The resultant higher maintenance charges and lower production volumes (down 17.1% from the previous year) saw profit before borrowing costs and tax decrease by $5.0 million to $3.8 million. Additionally, LPG prices were lower than last year due to the weaker global economy which resulted in lower world oil prices.

PROPERTY

Remediation of AGL's former gasworks site at Breakfast Point, formerly known as Mortlake, was completed during the year. However, additional work on some minor adjustments to ground levels adjacent to the existing wharf is being undertaken on behalf of the purchaser.

Settlement of Lot 3 for an amount of $26.9 million took place on 6 September 2001. The next settlement, Lot 5, is scheduled for December 2002.

Other properties sold during the year included a property at Singleton in NSW, which sold for $362,000 and an industrial property surplus to operational requirements at Heidelberg in Victoria, which sold for $1.35 million. Contracts were exchanged with Macquarie Goodman Industrial Trust for the sale of vacant land in the Sydney suburb of Frenchs Forest for $3.25 million.

An option to purchase the former gasworks site at Steel and Ravenshaw Streets in Newcastle for $3.15 million was exercised by the purchaser in August 2001. Remediation of this site is now being carried out to permit settlement by October 2002.

PEOPLE

AGL has always been a market leader from our very early days as the first gas provider in NSW. We now face a truly exciting future as opportunities for growth emerge in the Australasian energy marketplace.

In this remarkable and often challenging period of change and transformation in the energy industry, we are changing the way we operate and compete. By combining our efforts, energy and experience, we are working together to build a strong and vibrant future, consistent with our AGL Values.

Our people strategy is focused on developing a high performance culture underpinned by our commitment to health, safety and the environment.

Our approach is multi-faceted and ambitious. We are refreshing our performance planning and review process to create closer alignment between our business objectives and individuals' objectives. This will drive how we remunerate and reward people's performance. Our emphasis will increasingly be on rewarding for both individual and business performance.

In addition, this year we launched a new awards programme called 'Winning Ways', which is an opportunity for us to acknowledge people who have made an outstanding contribution to our success.

We are pursuing a talent management strategy to attract and retain high performers and building our leadership capability through a range of leadership development opportunities and programmes.

We also recognise that people are more capable and productive at work when they have flexibility and support to manage significant events in their personal lives, such as the birth or adoption of a child, or an illness.

This is why we've recently introduced two new benefits – paid parental leave and salary continuance (insurance protection) for all our permanent employees across Australia.

Life Guard

With all this activity, we have not lost our focus on work/life balance. That's why Life Guard, our health, safety and environment (HS&E) programme which focuses on the health and safety of our people and the ongoing protection of the environments in which we operate, remains a priority for everyone in AGL.

Everyone within the AGL Group is required to identify the hazards in our workplace and implement suitable controls to prevent incidents. Life Guard gives our people the skills, resources and tools to be able to do this.

This tailored approach to health and safety continues to result in the reduction of workplace incidents.

Property

$26.9 MILLION

Settlement of Lot 3 at Breakfast Point for an amount of $26.9 million took place on 6 September 2001. The next settlement, Lot 5, is scheduled for December 2002.

Environment

13 MILLION TONNES

AGL's Goldline programme began in 1988 and has reduced natural gas leakage, to the extent that Goldline has now saved in excess of 13 million tonnes of Co_2 equivalent greenhouse gas emissions.

Life Guard

2.0 LTIFR

We have come a long way and our performance is continually improving. For example, if we use the industry standard of Lost Time Injury Frequency Rate (LTIFR), our current rate is 2.0, compared to 2.5 for 2000/2001.

Social Responsibility

7,000 STUDENTS

AGL's Sustainable Living Competition attracted over 7,000 students from more than 900 high schools across Australia, who completed projects about a sustainable future.

We have come a long way and our performance is continually improving. For example, if we use the industry standard of Lost Time Injury Frequency Rate (LTIFR), our current rate is 2.0 compared to 2.5 for 2000/2001. We believe that this positions us at best practice in the energy industry. As our systems mature, we are increasing our focus on the behavioural aspects of our approach to health, safety and environment.

Earlier this year, Life Guard was introduced into our joint venture, ActewAGL, and the improvements to date are promising. The implementation of the Life Guard programme into NGC in New Zealand continues to flourish, with significant improvements in the reduction of incident rates, notably in the LPG business.

AGL has also introduced better processes for managing contractors and for measuring contractor safety and environmental performance. More than 240 people in NSW attended awareness and information sessions resulting from recent amendments to the NSW OH&S Regulations.

In addition to our Life Guard programme, we offer a broad range of alternative working opportunities, support and health services to our people. For example, in the last twelve months we have seen an increase in the number of people teleworking – or working from home. We now have eleven people working from home, primarily Contact Centre staff. Each person must undergo ergonomic training and assessment before they can work from home on a regular basis. The Equal Opportunity for Women in the Workplace Agency formally recognised and complimented AGL for this development.

Once again, our flu vaccination programme saw more than 600 people being vaccinated prior to the beginning of the winter season and we continue to offer 'Coping with Change' information sessions.

Social and Environmental Responsibilities

As a Company, AGL takes it social and environmental responsibilities seriously. This is reflected in a wide range of programmes and sponsorships. For example, we undertake a schools programme, where an AGL employee visits schools and community groups to teach about electricity. We sponsor SA Great, which undertakes to promote South Australia as a business destination.

We provide administration for the South Australian discount electricity scheme for pensioners and unemployed, a scheme which helps the less fortunate members of society deal with the costs of energy.

Through the AGL 150th Anniversary Foundation $138,500 was donated to charities during the year including the Mary McKillop Foundation, Salvation Army, Australian Cancer Research Foundation and the Starlight Children's Foundation of Australia.

The $400 million Goldline programme inserting nylon pipes into the existing cast iron mains inside the low-pressure natural gas distribution systems servicing Sydney, Newcastle and Wollongong is nearing completion. The programme began in 1988 and has reduced natural gas leakage to the extent that Goldline has now saved in excess of 13 million tonnes of Co_2 equivalent greenhouse gas emissions and continues to save a further 1.6 million tonnes each year.

During the year AGL became Australia's first energy company to offer electricity certified as 'Greenhouse Friendly' by the Australian Greenhouse Office. The Federal Greenhouse Friendly Program enables independently verified certification for products or services whose greenhouse emissions have been balanced by associated greenhouse abatement activities. This cost effective electricity can be purchased by customers with the knowledge that all emissions have been offset on a 'cradle to grave' basis as the methane fuel for its generation has been sourced from accredited landfill sites.

AGL's Sustainable Living Competition is an environmental project design competition for high school students across Australia. The competition encourages students to work towards a sustainable future through classroom projects. In 2001 the competition attracted over 7,000 students from more than 900 schools across Australia and it is expected that 1,000 schools will participate before the competition closes late in 2002.

This statement outlines the main Corporate Governance practices which were in place throughout the financial year.

Board of Directors and its Committees

The Board is accountable to Proprietors for the business and affairs of the Group. Specifically the Board: sets the strategic direction of the Group; establishes goals for management; reviews the performance of the Managing Director and senior executives; and ensures that Proprietors' funds are prudently safeguarded. The responsibility for implementing the strategic direction and the day-to-day affairs of the Group is delegated to the Managing Director.

The Board is supported by several committees of its members. The main continuing committees are Nomination Committee, Remuneration Committee, Audit & Risk Management Committee, and Health, Safety and Environmental Committee.

Composition of the Board

The Board of The Australian Gas Light Company consists of eight Directors. Seven of these, including the Chairman and Deputy Chairman, are non-executive Directors. The Managing Director is an executive Director. The Board may appoint any person as a Director to fill a casual vacancy. However, Directors appointed by the Board are subject to election by Proprietors at the next Annual General Meeting, and re-election at regular intervals in accordance with the Company's Constituent Documents. The Chairman and Deputy Chairman are elected annually by the full Board. The names of the Directors and their attendance at meetings during the financial year are set out in the Directors' Report on pages 38 to 42.

Non-executive Directors are remunerated by fees determined by the Board within the present aggregate limit of $900,000 approved by Proprietors in October 2000. External professional advice is sought when Directors' fees are being determined to ensure their compatibility with fees paid to directors of other major corporations. Directors may also apply part or the whole of their remuneration to the purchase of the Company's shares under the AGL Share Purchase Plan. Directors also have an entitlement to retirement benefits in accordance with arrangements approved by Proprietors in 1985. Further details of Directors' remuneration are set out in the Directors' Report on page 41.

Nomination Committee

The Nomination Committee comprising three non-executive Directors, Mr M J Phillips (Chairman), Mr M R G Johnson and Mr G J Reaney, met three times during the year. Its terms of reference are to:

- Review and make recommendations to the Board on the composition of the Board and the criteria for Board membership;
- Ensure that a proper succession plan is in place and consider and nominate a panel of candidates with appropriate expertise and experience for consideration by the Board;
- Where considered necessary, recommend to the Board the terms of appointment of any proposed new non-executive director;
- Review the membership of other Board Committees and make recommendations to the full Board; and
- Perform other related tasks as directed by the Board.

Remuneration Committee

Three non-executive Directors, Mr M J Phillips (Chairman), Mr M R G Johnson and Mr G J Reaney form the Remuneration Committee which met three times during the year. The primary functions of the Committee are to review and report to the Board on:

- The remuneration of the Managing Director and his direct reports;
- The remuneration policies for the AGL Group;
- Proposals for issues under, or changes to, the AGL Share Reward Plan;
- Proposals for issues under, or changes to, the AGL Share Loan Plan;
- Proposals for other reward initiatives;
- Succession plans for Executive Management; and
- Other related matters as directed by the Board.

The Managing Director is invited to the Remuneration Committee meetings as required to discuss his direct reports' performance and remuneration packages.

The Committee is empowered to seek independent advice on any matter brought to its attention for review.

Audit & Risk Management Committee
Membership of the Audit & Risk Management Committee comprises four non-executive Directors, Mr G J Reaney (Chairman), Mrs C J Hewson, Mr D C K Allen and Mr A B Daniels.

The Managing Director, Chief Financial Officer, General Manager Accounting, Manager Group Audit & Risk Management and the external auditor attend meetings at the discretion of the Committee. During the year four meetings of the Committee were held. Minutes of the Committee are reviewed by the Board at its subsequent meeting.

The responsibilities of the Audit & Risk Management Committee include:

- Reviewing the annual audit plan with the external auditor;
- Reviewing and approving the annual Group Audit Services audit plan ensuring appropriate coverage of significant business risks;
- Reviewing the Group's accounting and financial reporting practices, including the effect of changes in accounting standards and practices, Australian Stock Exchange (ASX) listing requirements and corporate legislation;
- Reviewing significant transactions which are not a normal part of the Group's business;
- Reviewing half-year and full-year accounts;
- Receiving and reviewing significant Group audit reports;
- Reviewing the performance of the external auditor and proposing changes where considered necessary;
- Reviewing and approving Management's use of auditors to provide consulting and other services beyond their core audit activities;
- Receiving and reviewing reports on the Group's risk management activities; and
- Considering any other financial matters of the Group which the Audit & Risk Management Committee or the Board determines is desirable.

During the year the Board introduced a formal policy relating to auditing and audit services. Specifically, the external auditor is precluded from providing any services which might threaten its independence or conflict with its assurance and compliance role.

As part of an agreed rotation policy, the current senior audit partner of Deloitte Touche Tohmatsu assigned to the AGL Group will be replaced at the conclusion of the 2001/2002 annual accounts' audit.

Health, Safety and Environmental Committee
The full Board meets, at least twice a year in Committee, to review the Group's commitment to health, safety and the environment and the effectiveness of its policies in those areas. The Committee also reviews the results of environmental facility audits of the various business units.

Independent Professional Advice
Each Director has the right to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, which may not be unreasonably withheld.

Directors' Share Dealings
To be eligible for election as a Director of the Company a person must hold 2,000 shares. A formal policy on share dealings is in place whereby Directors and senior management may buy or sell the Company's shares only during the four-week periods following the release of the half-year results, full-year results and the Annual General Meeting unless exceptional circumstances apply. They are also precluded from buying or selling AGL's shares at any time if they are aware of any price-sensitive information which has not been made public. The policy reinforces the prohibition on insider trading contained in the Corporations Act 2001.

The current shareholdings of Directors are shown on page 38.

Risk Management Framework
During the year, the Board formally adopted a holistic, enterprise-wide risk management framework. This framework brings together the various risk management activities which have previously been conducted in different parts of the Company without formal co-ordination. AGL's risk management framework is based on Standards Australia's AS/NZS 4360:1999 (Risk Management).

The implementation programme includes:

- Identification of the 'Top 20' risks facing the Group;
- Formal oversight and review by the Audit & Risk Management Committee of the risk management plan, framework and processes;
- Quarterly reporting and review of significant risks by AGL's Leadership Team;
- The seamless integration of risk management into both the planning and budgeting processes;
- Procedures for the immediate notification of unacceptable risks to senior management and/or Board as appropriate;
- Specialist training of 'risk champions' and staff awareness training across the Group;
- Responsibility for the identification, management and monitoring of risk and ensuring it is clearly defined and included in the performance measures of individuals and business units; and
- Expanding audit activity to include review of risk management outcomes.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control options will preclude all errors and irregularities. There are well-established procedures at Board, corporate and business unit levels designed to safeguard the Group's assets and interests and to ensure the integrity of its reporting. These include: accounting, treasury, energy trading and personnel policies; insurance programmes; environmental systems; a Trade Practices compliance programme; and a legislative compliance policy.

The Board has set specific limits of authority for Management to incur expenditure, enter contracts or acquire businesses without prior Board approval.

Bi-annually the Board requires assurance letters from Management concerning accounting practices, legislative compliance and reliability of assets.

The Board is acutely aware of the ringfencing obligations under the National Third Party Access Code and Gas Pipelines Access Law which apply to entities which own or operate networks and pipelines. Formal ringfencing protocols are in place to ensure the Group's obligations are not breached.

A continuous disclosure regime operates through the Group. The Company Secretary is the nominated Continuous Disclosure Officer and he reports to the Board quarterly on matters notified to the ASX. In the event a decision is made not to notify the ASX of a particular event or development, the reason for non-notification is advised to the Board. Directors receive copies of all announcements immediately after notification to the ASX.

AGL's Values

The Company recognises the need for Directors, Management and staff to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

AGL's Values define the principal patterns of conduct expected of everyone in the AGL community.

CONCISE REPORT 2001/2002

THE CONCISE FINANCIAL REPORT HAS BEEN DERIVED FROM THE FULL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2002.

CONTENTS

The full financial report and auditor's report will be sent to Proprietors on request, free of charge. Please call (02) 9922 8259 and a copy will be forwarded to you or, alternatively, you can access the full financial report and the auditor's report via the internet at: http://www.agl.com.au

The Directors present their report together with the concise financial report of The Australian Gas Light Company and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2002 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the financial year are:

M J Phillips AM BEc – Chairman, Age 72
A non-executive Director since 1992 and appointed Chairman in October 1996. Chairman of the Nomination, Remuneration and Health, Safety and Environmental Committees. Mr Phillips is Chairman of IBJ Australia Bank Limited and Chairman of the Foreign Investment Review Board. Mr Phillips is Chancellor of the University of Western Sydney and Chairman of the Australian Charities Fund. Formerly Deputy Governor and Deputy Chairman of the Reserve Bank of Australia.

M R G Johnson LLB MBA – Deputy Chairman, Age 61
A non-executive Director since 1988 and appointed Deputy Chairman in October 1996. Member of the Nomination, Remuneration and Health, Safety and Environmental Committees. Mr Johnson's other appointments include Deputy Chairman of Macquarie Bank Limited and Chairman of Macquarie Infrastructure Group. He is also Chairman of the Advisory Board to Axiss Australia.

G J W Martin BEc LLB – Managing Director, Age 42
Appointed Managing Director from 1 March 2001. Member of the Health, Safety and Environmental Committee. Mr Martin has been with AGL for twenty-one years. Prior to his present appointment he was Group General Manager Infrastructure Management & Services. He is also Chairman of Natural Gas Corporation Holdings Limited of New Zealand.

Sir Ronald Brierley, Age 65
A non-executive Director since 1987 and a member of the Health, Safety and Environmental Committee. Sir Ronald is also a director of Tooth & Co. Limited. His offices overseas include Chairman of Guinness Peat Group plc.

G J Reaney BCom CPA, Age 59
A non-executive Director since 1988, Chairman of the Audit & Risk Management Committee and a member of the Nomination, Remuneration and Health, Safety and Environmental Committees. Mr Reaney is also a director of St George Bank Limited, Queensland Cement Limited and So Natural Foods Limited.

D C K Allen AO MA MSc, Age 66
A non-executive Director since October 1996 and a member of the Audit & Risk Management and Health, Safety and Environmental Committees. Mr Allen is Chairman of the National Australia Bank Limited and a director of Amcor Limited, Earthwatch Australia and Air Liquide Australia Limited. Mr Allen retired as Managing Director of Woodside Petroleum Limited in 1996.

C J Hewson BEc MA, Age 47
A non-executive Director since October 1996, a member of the Audit & Risk Management and Health, Safety and Environmental Committees, and Chairman of Trustees of the AGL Superannuation Funds. Mrs Hewson is a director of CSR Limited and a member of the Economic Development Board (South Australia). Her community involvement includes board or advisory roles with the St George Foundation, the Royal Humane Society of New South Wales and the Australian Charities Fund.

A B Daniels OAM, Age 67
A non-executive Director since August 1999. Member of the Audit & Risk Management and Health, Safety and Environmental Committees. His other directorships include the Commonwealth Bank of Australia and Orica Limited. Mr Daniels retired as Managing Director of Tubemakers Limited in December 1995.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G of the Corporations Act 2001, at the date of the Report is as follows:

	THE AUSTRALIAN GAS LIGHT COMPANY ORDINARY SHARES
M J Phillips	64,164
M R G Johnson	107,993
G J W Martin	527,526
Sir Ronald Brierley	30,502
G J Reaney	37,822
D C K Allen	37,324
C J Hewson	15,800
A B Daniels	9,752

No options have been granted over any securities or interests of the Company or the consolidated entity.

DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

DIRECTOR	REGULAR MEETINGS		SPECIAL MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATION & REMUNERATION COMMITTEES		HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
M J Phillips	11	11	3	3	–	–	3	3	2	2
M R G Johnson	10	11	3	3	–	–	3	3	2	2
G J W Martin	11	11	3	3	–	–	–	–	2	2
Sir Ronald Brierley	7	11	–	3	–	–	–	–	1	2
G J Reaney	11	11	2	3	4	4	3	3	1	2
D C K Allen	10	11	2	3	3	4	–	–	1	2
C J Hewson	9	11	3	3	4	4	–	–	2	2
A B Daniels	11	11	2	3	3	4	–	–	2	2

A – Number of meetings attended
B – Number of meetings held during the time the Director held office during the year

PRINCIPAL ACTIVITIES

- Sale of gas and electricity
- Ownership and operation of natural gas and electricity distribution networks and operation of natural gas transmission pipelines
- Extraction and sale of LPG
- Power generation and energy processing infrastructure
- Investments in international energy businesses
- Realisation of property and property-related assets
- Investments in telecommunications enterprises

REVIEW AND RESULTS OF OPERATIONS

The consolidated profit for the year after income tax attributable to Proprietors was $192.1 million ($115.4 million in 2000/2001). A review of the operations and of the results of those operations of the consolidated entity during the financial year are contained in pages 13 to 33 of this Report.

DIVIDENDS

The following dividends have been paid or recommended by the Directors since 30 June 2001:

Final dividend of 27 cents per share (59.3% franked) referred to in the previous Directors' Report and paid on 16 October 2001 (Note 1.) $97.1 million

Interim dividend of 25 cents per share (76% franked) out of profits for the six months ended 31 December 2001 paid on 11 April 2002 (Note 2.) $92.9 million

Final dividend of 27 cents per share (59.3% franked) recommended by Directors for payment on 16 October 2002 (Note 3.) $103.2 million

Notes:
1. Under the Dividend Reinvestment Plan, Proprietors who elected to receive additional shares in the Company in lieu of receiving the 2000/2001 cash final dividend totalled 36,081.
2. Under the Dividend Reinvestment Plan Proprietors who elected to receive additional shares in the Company in lieu of receiving the 2001/2002 cash interim dividend totalled 37,105.
3. The proportion of the final dividend which Proprietors will elect to take in the form of further shares in the Company will depend upon their participation in the Dividend Reinvestment Plan at record date. Meanwhile, the full amount of the dividend has been provided.

STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year other than:

- Those included in the front section of the Annual Report; and
- The issue of shares pursuant to the Dividend Reinvestment Plan, including the underwriting of the October 2001 final dividend and the April 2002 interim dividend.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various Commonwealth, State and Territory environmental legislation in relation to energy (gas and electricity) operational and construction activities, LPG production, cogeneration (electricity, steam and desalinated water) and land remediation works.

The Board meets as the Health, Safety and Environmental Committee in order to review the effectiveness of the environmental management system. Environmental management performance is monitored on an on-going basis by way of Life Guard audits conducted by the Company using internal accredited auditors. In addition, the consolidated entity has its own management Health, Safety and Environment Committee which meets regularly to review the Company's environmental performance in detail.

Operational and Construction Activities
Gas and electricity activities were undertaken throughout Australia during the financial year. There have been two infringement notices issued by the NSW Environment Protection Authority (EPA) for smoky vehicles. Both vehicles were inspected and found not to be unduly smoky. Health, safety and environment alerts were communicated to personnel to regularly check their vehicles' performance and carry out any preventative maintenance.

LPG Production (NSW)
Specific licence conditions under the NSW Protection of the Environment Operations Act 1997 (POEO Act). There have been no instances of non-compliance in relation to this licence during the reporting period.

Land Remediation
Remediation works currently proceeding at the Breakfast Point site are subject to environmental regulation under various NSW legislation, including the Contaminated Land Management Act 1997, the POEO Act and the Environmental Planning and Assessment Act 1979. Compliance performance is audited by the Company and by external accredited auditors as well as by the relevant environmental regulators.

During February there were two infringement notices issued at the Breakfast Point site.

An infringement notice was issued for inadequate dust suppression. Management at the site have since increased resources to combat the excessive dust, including the use of hydro-mulching (a fast-growing grassing technique).

A second infringement notice was issued after it was found that sediment was being washed into the river adjacent to the site, after large volumes of rainfall. The Company has installed a 200 metre sea boom parallel to the sea wall to stop the spread of sediment charged waters. An action plan has been developed in conjunction with the EPA to address the issue long term.

EVENTS SUBSEQUENT TO BALANCE DATE

Apart from matters discussed elsewhere in the Annual Report and detailed below, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2002 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

On 31 July 2002 AGL acquired the Victorian businesses Pulse Energy Pty Ltd, Utili-Mode Pty Ltd and EdgeCap Pty Limited for a total cost of $880 million. On 3 July 2002 AGL raised $380 million by way of a placement of 41.1 million fully-paid ordinary shares to various institutions at $9.25 per share. AGL also issued on 15 August 2002 $95.2 million fully-paid shares at $9.25 per share by way of a Share Purchase Plan to Australian and New Zealand Proprietors.

The funds will be used to reduce debt associated with the acquisition of the Victorian businesses.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue new opportunities in Australia and overseas which show promise in adding value. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for making recommendations to the Board on remuneration policies and packages applicable to Board members and senior management of the Company.

The broad remuneration policy is determined by reference to relevant employment market conditions and set to ensure that the remuneration is competitive in attracting, retaining and motivating the highest quality Board and management team.

The Remuneration Committee also links senior management's remuneration to the consolidated entity's financial and operational performance. Through the existing plans all senior managers may receive a bonus and qualify for participation in the AGL Share Loan Plan, provided specific performance targets relating to earnings per share and other measures are met. The Board sets the performance targets annually.

This year the Remuneration Committee has considered a comprehensive review of the current bonus plans and share plans offered to senior managers in light of Australian and international best practices. External expert advice has assisted the Remuneration Committee which proposes to introduce some changes in the design of the arrangements. For the coming year the focus of performance under the new plans is economic profit with partial bonus deferment through the issue of equity rights. The Managing Director will also participate in the changed plans.

All permanent employees, including senior managers, are entitled to participate in the AGL Share Reward Plan. The Plan was approved by Proprietors on 21 October 1997. Depending on the performance of the consolidated entity the issue of shares is made in the form of a gift of shares in the Company, with a market value of up to $1,000 to each eligible employee.

Senior managers of entities of the consolidated entity nominated from time to time by the Directors of the Company are offered participation in the AGL Share Loan Plan. The Plan was approved by Proprietors on 21 October 1997.

Provided performance measures are met, the issue of fully-paid shares is made on the basis of:

- An optional discount of up to 5% on current market value;
- The purchase price financed by way of an interest-free limited-recourse loan provided by the Company 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 paid, whichever last occurs.

Directors of the Company and all permanent employees nominated from time to time are entitled to participate in the AGL Share Purchase Plan which was also approved by Proprietors on 21 October 1997. Directors and employees can obtain fully-paid shares in the Company out of their remuneration entitlements, subject to certain limitations as to the maximum level of remuneration entitlements which may be applied to the purchase of 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 specific times during the year; and
- There is a restriction on dealing in the shares for a period of up to ten years from the date of acquisition.

Details of the nature and amount of the emoluments of each Director of the Company and of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

Emoluments of Non-Executive Directors of The Australian Gas Light Company:

	DIRECTORS' FEES INCLUDING COMMITTEE FEES (EXCLUDING AGL SHARE PURCHASE PLAN) $	SUPERANNUATION CONTRIBUTIONS* $	VALUE OF SHARES ISSUED UNDER AGL SHARE PURCHASE PLAN $	TOTAL $
M J Phillips	139,876	14,920	46,624	201,420
M R G Johnson	–	9,040	113,000	122,040
Sir Ronald Brierley	–	5,600	70,000	75,600
G J Reaney	49,000	6,720	35,000	90,720
D C K Allen	–	6,080	76,000	82,080
C J Hewson	41,250	6,600	41,250	89,100
A B Daniels	60,000	6,400	20,000	86,400

* 8% Superannuation Guarantee only

Emoluments of the Managing Director and the five most highly paid officers of the Company and the consolidated entity:

	POSITION	BASE SALARY $	SUPERANNUATION CONTRIBUTIONS $	INCENTIVE $	TOTAL $
G J W Martin	Managing Director	790,657	148,750	128,333	1,067,740
L J Fisk	Group Manager Corporate Services & Company Secretary	375,272	65,896	60,913	502,081
J A Fletcher	Chief Financial Officer	610,485	3,375	84,975	698,835
M A Fraser	Group General Manager Energy Sales & Marketing	584,399	111,563	96,250	792,212
I C K Woodward	Group Manager Strategic Projects	418,213	82,078	70,813	571,104
J L Barton	Former Chief Executive, NGC	540,698*	9,102	–	549,800

* Includes eligible termination benefit and contractual arrangements

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constituent Documents indemnify, to the extent permitted by law, officers of the consolidated entity when acting in their capacities in respect of:

- Liability to third parties (other than related entities) when acting in good faith; and
- Costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in the Report and the Company Secretary, L J Fisk, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year the Company paid a premium in respect of a contract insuring all Directors of the Company as listed earlier, all Directors of related bodies corporate of the Company, secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity. The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act 2001 does not require disclosure of the information in those circumstances.

ROUNDING

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this twenty-second day of August 2002.

M J Phillips AM
Chairman

Consolidated Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2002

	2002 $M	2001 $M
Revenue from ordinary activities	3,148.4	3,498.9
Equity accounted share of profits of associates and joint venture entities	70.6	41.4
Expenses from ordinary activities	(2,522.6)	(3,046.8)
Profit from ordinary activities before borrowing costs, depreciation and amortisation	696.4	493.5
Depreciation and amortisation	(219.8)	(198.2)
Profit from ordinary activities before borrowing costs	476.6	295.3
Borrowing costs	(172.2)	(181.9)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	304.4	113.4
Income tax attributable to ordinary activities	(102.2)	(76.9)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	202.2	36.5
Outside equity interests in operating profit after income tax	(10.1)	78.9
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO PROPRIETORS OF THE PARENT ENTITY	192.1	115.4
Increase in foreign currency translation reserve arising on translation of financial reports of foreign controlled operations	7.7	12.3
Total revenue, expense and valuation adjustments attributable to Proprietors of the Parent Entity recognised directly in equity	7.7	12.3
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH PROPRIETORS AS OWNERS	199.8	127.7
EARNINGS PER SHARE		
Basic (cents)	51.6	32.7
Diluted (cents)	51.6	32.7
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share (millions)	372.3	353.0

Consolidated Statement of Financial Position

AS AT 30 JUNE 2002

	2002 $M	2001 $M
CURRENT ASSETS		
Cash	13.1	100.9
Receivables	702.0	690.6
Inventories	21.5	20.6
Property, plant and equipment	10.6	81.7
Intangibles	0.0	111.1
Other	87.9	48.6
TOTAL CURRENT ASSETS	835.1	1,053.5
NON-CURRENT ASSETS		
Receivables	33.9	75.6
Inventories	0.0	3.1
Equity accounted investments	446.6	576.1
Other financial assets	243.2	66.8
Property, plant and equipment	3,041.7	2,753.9
Intangibles	888.9	910.9
Deferred expenditure	339.7	322.7
Tax assets	96.3	102.4
Other	91.1	138.2
TOTAL NON-CURRENT ASSETS	5,181.4	4,949.7
TOTAL ASSETS	6,016.5	6,003.2
CURRENT LIABILITIES		
Payables	494.7	539.2
Interest bearing liabilities	518.4	1,104.2
Provisions	178.5	179.3
Tax liabilities	35.4	31.3
Unearned revenue	10.6	17.4
TOTAL CURRENT LIABILITIES	1,237.6	1,871.4
NON-CURRENT LIABILITIES		
Interest bearing liabilities	1,991.7	1,577.9
Provisions	63.8	93.8
Tax liabilities	390.2	348.2
Unearned revenue	4.8	3.6
TOTAL NON-CURRENT LIABILITIES	2,450.5	2,023.5
TOTAL LIABILITIES	3,688.1	3,894.9
NET ASSETS	2,328.4	2,108.3
EQUITY		
Contributed equity	382.1	359.7
Reserves	1,158.3	981.6
Retained profits	560.6	564.6
EQUITY ATTRIBUTABLE TO PROPRIETORS OF THE PARENT ENTITY	2,101.0	1,905.9
Outside equity interests in controlled entities	227.4	202.4
TOTAL EQUITY	2,328.4	2,108.3

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2002

	INFLOWS (OUTFLOWS)	
	2002	2001
	$M	$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,679.7	3,783.9
Payments to suppliers and employees	(3,198.9)	(3,305.2)
Dividends received	72.5	28.6
Interest received	13.6	13.7
Borrowing costs paid	(180.0)	(178.5)
Income taxes paid	(42.6)	(45.1)
Net cash provided by operating activities	344.3	297.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(415.4)	(376.5)
Payments for investments	(43.3)	(220.5)
Payments for acquisition of controlled entities	0.0	(55.6)
Payments for additional investments in controlled entities	(8.6)	(122.4)
Loans advanced	(3.5)	(9.5)
Proceeds from sale of property, plant and equipment	248.9	18.3
Proceeds from disposal of investments	5.7	18.3
Proceeds from loan repayments	4.8	4.7
Net cash used in investing activities	(211.4)	(743.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	191.4	268.5
Proceeds from borrowings and hedge receipts on foreign currency borrowings	1,078.0	1,245.2
Repayment of borrowings and hedge payments on foreign currency borrowings	(1,299.3)	(719.3)
Dividends and other distributions paid	(198.4)	(272.5)
Net cash (used in) provided by financing activities	(228.3)	521.9
NET (DECREASE) INCREASE IN CASH HELD	(95.4)	76.1
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	100.7	22.6
Effect of exchange rate changes on the balance of cash held in foreign currencies	0.5	2.0
CASH AT THE END OF THE FINANCIAL YEAR	5.8	100.7

1. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Profit Attributable to Proprietors
Profit after income tax attributable to Proprietors increased by $76.7 million to $192.1 million over the previous year, resulting in a 57.8% increase in earnings per share to 51.6 cents.

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

- Net losses relating to the Group's investment in Natural Gas Corporation Holdings Limited (NGC) ($18.8 million)
- Write-down relating to the Group's investment in Dingo Blue ($42.4 million)
- Redundancy costs incurred to restructure the Group's businesses ($7.5 million)
- Realised gain on the close-out of Equity Performance Agreements ($7.3 million)

The underlying profit after income tax for the Group of $247.1 million, before significant items and the outside equity interests associated with those significant items, has increased by 10.2% compared with the previous year.

	EXCLUDING SIGNIFICANT ITEMS		INCLUDING SIGNIFICANT ITEMS	
	2002	**2001**	**2002**	**2001**
	$M	**$M**	**$M**	**$M**
Profit before borrowing costs, depreciation and amortisation	771.9	717.6	696.4	493.5
Depreciation and amortisation	(219.8)	(198.2)	(219.8)	(198.2)
Profit before borrowing costs and income tax	552.1	519.4	476.6	295.3
Borrowing costs	(172.2)	(181.9)	(172.2)	(181.9)
Profit before income tax	379.9	337.5	304.4	113.4
Income tax	(116.3)	(108.7)	(102.2)	(76.9)
Profit after income tax	263.6	228.8	202.2	36.5
Outside equity interests	(16.5)	(4.6)	(10.1)	78.9
Profit after income tax attributable to Proprietors	247.1	224.2	192.1	115.4

Segment Results Including Significant Items
Profits from ordinary activities (including significant items) before borrowing costs and tax was $476.6 million.

Gas Networks – contribution $151.3 million (2001 $222.0 million) ▼
This division includes the medium to low pressure distribution network in most major centres in NSW. Included in last year's result was 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 Australian Capital Territory Electricity and Water Authority (Actew). The corresponding period last year also included operating profit of $10.3 million for the three months prior to the sale of the assets into the ActewAGL joint venture.

The current year result was achieved in spite of the warmer winter weather experienced in NSW and the full-year negative impact on contract revenues due to the implementation of the revised regulatory price arrangements introduced by the Independent Pricing and Regulatory Tribunal in the previous year.

Return on funds employed before borrowing costs, tax and significant items was 15.5%.

Total gas transported through the distribution network for the year was 97.2 PJ, a decrease of 6.0 PJ over the previous year, reflecting lower gas transported to contract customers and the warmer winter weather. Sites connected to the NSW network at year end totalled 860,564, an increase of 33,373 for the year.

Electricity Networks – contribution $60.8 million (2001 $70.7 million) ▼
Earnings for the Electricity Networks division decreased $9.9 million over the previous year. The reduction in earnings was principally due to the full-year impact on revenue of the Essential Services Commission's Distribution Price Review which became effective during the previous year.

Return on funds employed before borrowing costs, tax and significant items was 5.9%.

Total electricity delivered across the distribution system for the year was 3,983 GWh, in line with the previous year. This reflected milder weather than anticipated during winter and reduced activity by major businesses. Sites connected to the network at year end totalled 265,753, an increase of 4,827 for the year.

Agility – contribution $43.3 million (2001 $28.4 million) ▲

This division provides a comprehensive portfolio of asset management (provision of sophisticated management services to asset owners), operation and maintenance (delivery of field services for asset owners and managers) and asset construction services.

Earnings for the year increased by $14.9 million compared to the previous year. This is a direct result of achieving ongoing operational cost efficiencies, contract completion ahead of scheduled targets, plus continued market penetration into third-party revenue sources. This achievement has been in an environment of strong competition in the infrastructure services market, coupled with a cyclical downturn in construction activity.

Energy Sales & Marketing – contribution $100.1 million (2001 $115.4 million) ▼

The Energy Sales & Marketing division is responsible for the sale and marketing of gas, electricity and energy services to AGL's customer base across Australia.

Earnings for the division decreased by $15.3 million over the previous year. However, included in last year's result was a one-off profit of $5.0 million arising on the sale of the Company's ACT/Queanbeyan gas retail business to the ActewAGL joint venture. In addition, last year's result included a contribution of $4.4 million from the ACT/Queanbeyan gas business for the three months prior to its sale.

Return on funds employed before borrowing costs, tax and significant items (and including guarantee support) was 16.1%.

The current year result was impacted by the Victorian Government's decision to cap retail electricity prices and the very mild summer weather experienced in South Australia and Victoria. Gas and electricity customers totalled 1,879,217 at year end, an increase of 44,459 for the year.

Energy Investments – contribution $62.7 million (2001 $39.7 million) ▲

Earnings from Energy Investments includes AGL's share of equity accounted profits from its 30% investment in APT, $16.3 million (2001 $10.5 million) and its 50% investment in the ActewAGL distribution and retail partnerships, $43.1 million (2001 $26.3 million).

Return on funds employed before borrowing costs, tax and significant items was 17.5%.

Power Generation – contribution $3.0 million (2001 loss $0.3 million) ▲

AGL has continued to develop its power generation opportunities through the construction of a 150 MW gas-fired peaking plant at Somerton, Victoria and a 180 MW dual-fuel peaking plant at Hallett, South Australia.

AGL's other power generation investments include ownership of the 20 MW power plant at Cawse in Western Australia, a 15% interest in the Southern Cross Energy partnership and a 50% interest in the Windimurra power station, both in Western Australia.

Return on funds employed before borrowing costs, tax and significant items was 1.9%.

LPG – contribution $15.1 million (2001 $13.6 million) ▲

Elgas (AGL 50%) made a $11.3 million contribution, an increase of $6.5 million on the previous year. Elgas' profitability for the year was enhanced as a result of lower average prices for LPG wholesale costs.

H C Extractions (HCE) contributed $3.8 million, a decrease of $5.0 million on the previous year. HCE's profitability was negatively impacted as a result of lower prices for LPG sales as well as an extended shutdown for major maintenance during the year.

Return on funds employed before borrowing costs, tax and significant items was 14.5%.

New Zealand – contribution $104.4 million (2001 loss $164.7 million) ▲

AGL's 66.1% investment in NGC derived a profit (before tax and outside equity interests) of $99.6 million for the year ($132.8 million profit before tax less abnormal losses of $33.2 million). In July 2001 NGC recognised an abnormal loss from its electricity retail and trading business due to the effect of abnormally high wholesale prices which continued over from the previous financial year into the month of July. This was partially off-set by a receipt of $10.0 million following the early termination of various gas supply contracts. The balance of NGC's infrastructure, electricity generation, gas processing and trading businesses traded satisfactorily.

AGL's 20.5% stake in TrustPower contributed $4.8 million, down $0.7 million on the previous year. TrustPower's profitability for the year was also severely impacted by the losses it sustained during the 2001 winter power crisis in New Zealand.

Return on funds employed before borrowing costs, tax and significant items (including guarantee support) was 8.7%.

Property – loss $2.8 million (2001 contribution $20.5 million) ▼

Property's contribution was down $23.3 million on the previous year. Last year's result included a profit of $20.8 million from the sale of Stages 2 and 3 of Breakfast Point. No further stages were scheduled for sale during the current year.

Telecommunications – loss $55.6 million (2001 loss $33.4 million) ▼

This division includes AGL's investments in COMindico (24%), a national Internet Protocol (IP) based wholesale network, TransACT (21%), a broadband fibre-optic telecommunications local area network in the Australian Capital Territory and Dingo Blue.

In December 2001 the decision was made to exit the Dingo Blue business, resulting in a write-off of AGL's remaining investment totalling $42.1 million (2001 $22.2 million write-off). As a consequence the business has been progressively closed during the year. An operating loss of $13.5 million has been recognised to 30 June 2002 compared to $11.2 million the previous year.

During the year AGL invested a further $22.5 million in COMindico and a further $20.7 million in TransACT as part of AGL's investment commitments to enable the businesses to complete the construction of their infrastructure assets.

Other – loss $5.9 million (2001 loss $4.6 million) ▼

This segment principally includes AGL's business development activities and its 100% investment in Gas Valpo, a natural gas distribution company in Chile.

The contribution from Gas Valpo increased by $4.3 million compared to last year, reflecting an increase in gas sales and prudent cost management.

Revenues (▼ 10.0%)

Total revenues from ordinary activities (including significant items) declined by $350.5 million to $3,148.4 million. This decrease mainly reflects the milder weather conditions experienced during the year, the full-year impact of the regulatory price resets and the divestment of the New Zealand electricity retail business at the end of July 2001.

Expenses (▼ 17.2%)

Total expenses from ordinary activities (including significant items) decreased by $524.2 million to $2,522.6 million. This decrease is principally due to the divestment of the New Zealand electricity retail business at the end of July 2001.

Depreciation and Amortisation (▲ 10.9%)

Depreciation and amortisation increased by $21.6 million as a result of higher amortisation of gas entitlements in NGC and higher depreciation of plant and equipment, partially off-set by a reduction in goodwill amortisation as a result of the divestment of the New Zealand electricity retail business in July 2001.

Borrowing Costs (▼ 5.3%)

Borrowing costs have decreased by $9.7 million to $172.2 million, reflecting the impact of a general decrease in average interest rates for the year. The Group's borrowing costs coverage ratio (excluding significant items) has increased to 3.3 times as a result of the decrease in borrowing costs and an increase in operating profits before tax.

Income Tax (▲ $25.3 million)

Income tax has increased principally as a result of higher operating profits for the year. Income tax attributable to ordinary activities (before significant items detailed above) declined from 32.2% to 30.6% this year. This decrease was mainly due to lower non-allowable expenditure, including goodwill amortisation and write-offs.

Dividends

A partially franked interim dividend of 25 cents (19 cents franked) was paid on 11 April 2002 compared to 25 cents (7 cents franked) for the previous year. The Directors have recommended a final dividend of 27 cents (16 cents franked) compared to 27 cents (16 cents franked) paid in the prior year. Total dividends for the year will be 52 cents (35 cents franked) compared to 52 cents (23 cents franked) for the previous year. The final dividend carries a Foreign Dividend Account (FDA) credit of 5 cents per share (2001 nil).

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (▲ $13.3 million)
The increase in total assets for the year resulted from further capital expenditure in the normal course of business, including expenditure on the construction of the peaking power plants and further investment in the COMindico and TransACT telecommunication entities. This was off-set by the divestment of NGC's electricity retail assets and AGL's Lower Hutt gas distribution assets in New Zealand in July 2001 and the write-down of assets relating to the Dingo Blue business.

As a result of the increase in total assets, net assets attributable to Proprietors has increased from $5.30 per share to $5.50 per share.

Net Borrowings (▼ $84.4 million)
Net borrowings of the Group have decreased from $2,568.5 million to $2,484.1 million over the course of the year. The Group's debt : debt plus equity ratio has decreased from 54.9% to 51.6%.

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

Equity (▲ 10.4%)
Total equity has increased $220.1 million to $2,328.4 million at 30 June 2002. This increase reflects an increase in contributed equity and reserves resulting from the issue of shares during the year. At 30 June 2002 there were 382.1 million shares on issue, compared with 359.7 million shares at 30 June 2001.

The AGL Dividend Reinvestment Plan (DRP) continued to operate during the year. A total of 8.7 million shares were issued during the year under the DRP, with 35% and 43% of dividends reinvested by Proprietors for the 2000/2001 year final dividend and the 2001/2002 year interim dividend respectively. An additional 13.6 million shares were also issued under an underwriting agreement in respect of the DRP for the final dividend payment for the 2000/2001 year and the interim dividend payment for the 2001/2002 year.

3. CONSOLIDATED STATEMENT OF CASH FLOWS

Operating Cash Flows (▲ 15.8%)
Operating cash flows were $344.3 million compared with $297.4 million last year, principally as a result of higher dividend receipts from investments, notably ActewAGL. Operating cash flow per share increased from 84.4 cents to 92.5 cents.

Investing Cash Flows ($211.4 million outflow)
During the year the Company invested capital on a number of significant items:

- Approximately $179.2 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;
- $169.7 million on the construction of the Hallett and Somerton peaking generation plants in Victoria and South Australia;
- $22.5 million in the 24% interest in COMindico;
- $20.7 million in the 21% interest in TransACT; and
- $38.7 million on information technology, including the costs of implementing systems and infrastructure to support full retail contestability.

Proceeds were received from the following significant property, plant and equipment disposals:

- $114.4 million from the disposal of NGC electricity customers to Genesis Power;
- $98.2 million from the settlement of the Lower Hutt gas distribution asset sale; and
- $30.1 million deferred settlement on Breakfast Point lots sold.

Financing Cash Flows ($228.3 million outflow)
The outflow in financing cash flows for the year was driven by lower net borrowings when compared to the prior year. A further $191.4 million was raised under the DRP, including the underwriting of the final dividend payment for the 2000/2001 year and the interim dividend payment for the 2001/2002 year, and from share issues under employee share ownership plans.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

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 2001.

Note 2 – Change in accounting estimates
There were no material changes in accounting estimates during the year.

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.

	2002	2001
	$M	$M
Note 4 – Revenue		
Sales revenue	2,906.2	3,171.3
Other revenue	242.2	327.6
	3,148.4	3,498.9
Note 5 – Dividends		
Interim dividend paid 11 April 2002 (2001 – 12 April 2001)		
Franked amount (19 cents per share (2001 – 7 cents per share))	70.6	24.9
Unfranked amount (6 cents per share (2001 – 8 cents per share))	22.3	64.1
Total amount (25 cents per share (2001 – 25 cents per share))	92.9	89.0
Final dividend proposed for 16 October 2002 (2001 – 16 October 2001)*		
Franked amount (16 cents per share (2001 – 16 cents per share))	61.2	57.6
Unfranked amount (11 cents per share (2001 – 11 cents per share))	42.0	39.5
Total amount (27 cents per share (2001 – 27 cents per share))	103.2	97.1
	196.1	186.1

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

* Shares issued subsequent to 30 June 2002, as outlined in Note 7, have been issued 'cum' dividend. No dividend has been provided at 30 June 2002 in relation to these shares.

Note 6 – Segment information
Business segments
6(a) Segment revenues

	EXTERNAL SALES REVENUE		OTHER EXTERNAL REVENUE		INTER-SEGMENT REVENUE		EQUITY ACCOUNTED SHARE OF NET PROFITS		TOTAL	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
ENERGY NETWORKS										
Gas networks	33.6	44.4	1.3	221.6	286.1	303.8	0.0	0.0	321.0	569.8
Electricity networks	48.2	50.0	3.7	0.4	111.6	118.3	0.0	0.0	163.5	168.7
	81.8	94.4	5.0	222.0	397.7	422.1	0.0	0.0	484.5	738.5
AGILITY	125.5	119.8	0.6	3.6	144.0	124.4	2.5	0.0	272.6	247.8
ENERGY SALES & MARKETING	1,997.3	1,879.5	3.0	29.3	22.3	32.2	(0.2)	0.0	2,022.4	1,941.0
ENERGY INVESTMENTS	3.3	2.9	5.1	5.9	0.0	0.0	59.5	36.8	67.9	45.6
POWER GENERATION	9.0	7.8	0.3	0.4	0.6	0.0	0.0	0.0	9.9	8.2
LPG	15.7	23.4	2.1	2.6	0.0	0.0	9.1	2.2	26.9	28.2
NEW ZEALAND BUSINESS	597.1	981.3	209.7	19.4	0.0	0.0	(0.3)	2.4	806.5	1,003.1
PROPERTY	3.3	4.2	1.0	36.2	0.1	0.1	0.0	0.0	4.4	40.5
TELECOMMUNICATIONS	41.2	29.1	0.4	0.0	0.0	0.0	0.0	0.0	41.6	29.1
OTHER	31.5	28.7	0.6	3.7	0.0	0.0	0.0	0.0	32.1	32.4
Segment totals	2,905.7	3,171.1	227.8	323.1	564.7	578.8	70.6	41.4	3,768.8	4,114.4
Unallocated items	0.5	0.2	14.4	4.5	1.4	0.0	0.0	0.0	16.3	4.7
	2,906.2	3,171.3	242.2	327.6	566.1	578.8	70.6	41.4	3,785.1	4,119.1
Less: eliminations	0.0	0.0	0.0	0.0	(566.1)	(578.8)	0.0	0.0	(566.1)	(578.8)
	2,906.2	3,171.3	242.2	327.6	0.0	0.0	70.6	41.4	3,219.0	3,540.3

Revenue is principally derived from:

(i) **ENERGY NETWORKS** – distribution of natural gas and electricity.

AGILITY – provision of infrastructure management and maintenance services.

ENERGY SALES & MARKETING – sale of natural gas and electricity.

ENERGY INVESTMENTS – investments in pipeline and energy utility entities.

POWER GENERATION – generation and sale of electricity.

LPG – extraction and sale of LPG and investment in a joint venture entity involved in the LPG industry.

NEW ZEALAND BUSINESS – investments in New Zealand entities involved in the gas and electricity industries.

PROPERTY – sale and rental of properties.

TELECOMMUNICATIONS – investment in entities involved in the telecommunications industry.

OTHER – business development activities and Chilean gas business.

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

Note 6 – Segment information (continued)

6(b) Segment results – profits/(losses)

	SEGMENT RESULTS – PROFITS/(LOSSES)		DEPRECIATION AND AMORTISATION		OTHER NON-CASH EXPENSES	
	2002	2001	2002	2001	2002	2001
	$M	$M	$M	$M	$M	$M
ENERGY NETWORKS						
Gas networks	151.3	222.0	41.8	40.5	1.7	3.1
Electricity networks	60.8	70.7	28.3	27.5	1.4	2.0
	212.1	292.7	70.1	68.0	3.1	5.1
AGILITY	43.3	28.4	1.3	1.1	17.1	14.5
ENERGY SALES & MARKETING	100.1	115.4	11.2	11.4	13.3	17.8
ENERGY INVESTMENTS	62.7	39.7	0.0	0.0	0.0	0.0
POWER GENERATION	3.0	(0.3)	1.8	1.5	0.1	3.0
LPG	15.1	13.6	0.2	0.1	1.5	0.6
NEW ZEALAND BUSINESS	104.4	(164.7)	113.6	96.4	0.6	219.2
PROPERTY	(2.8)	20.5	1.0	1.1	1.1	0.4
TELECOMMUNICATIONS	(55.6)	(33.4)	1.9	2.1	47.3	23.9
OTHER	(5.9)	(4.6)	5.2	5.7	7.2	2.1
Segment totals	476.4	307.3	206.3	187.4	91.3	286.6
Unallocated items	0.2	(12.0)	13.5	10.8	9.3	6.8
	476.6	295.3	219.8	198.2	100.6	293.4
Less: borrowing costs	(172.2)	(181.9)				
Profit from ordinary activities before income tax	304.4	113.4				
Income tax attributable to ordinary activities	(102.2)	(76.9)				
Profit from ordinary activities after income tax	202.2	36.5				

Profit from ordinary activities before borrowing costs includes the following significant items allocated to relevant segments.

(i)	**ENERGY NETWORKS**	
	Gas networks	$nil (2001 $49.3 million)
(ii)	**AGILITY**	$(3.2) million (2001 $nil)
(iii)	**ENERGY SALES & MARKETING**	$(2.1) million (2001 $5.0 million)
(iv)	**NEW ZEALAND BUSINESS**	$(33.2) million (2001 $(267.6) million)
(v)	**PROPERTY**	$(0.4) million (2001 $20.8 million)
(vi)	**TELECOMMUNICATIONS**	$(42.1) million (2001 $(22.2) million)
(vii)	**OTHER**	$(0.4) million (2001 $nil)
(viii)	**UNALLOCATED**	$5.9 million (2001 $(9.4) million)

Note 6 – Segment information (continued)

6(c) Segment assets and liabilities

	ASSETS		LIABILITIES		EQUITY ACCOUNTED INVESTMENTS*		AQUISITION OF NON-CURRENT ASSETS*	
	2002	2001	2002	2001	2002	2001	2002	2001
	$M	$M	$M	$M	$M	$M	$M	$M
ENERGY NETWORKS								
Gas networks	1,173.9	1,170.4	187.3	203.3	0.0	0.0	55.5	212.3
Electricity networks	1,110.6	1,098.1	67.8	69.4	0.0	0.0	33.8	37.2
	2,284.5	2,268.5	255.1	272.7	0.0	0.0	89.3	249.5
AGILITY	54.4	58.4	70.2	65.2	0.0	0.0	8.1	5.4
ENERGY SALES & MARKETING	785.9	694.4	419.8	409.9	0.0	0.3	12.0	13.2
ENERGY INVESTMENTS	372.1	386.9	23.8	19.7	368.1	380.6	0.0	0.0
POWER GENERATION	271.2	72.3	29.8	9.0	0.0	0.0	189.3	23.8
LPG	112.0	102.9	2.3	4.4	76.5	67.3	2.5	0.1
NEW ZEALAND BUSINESS	1,691.0	1,868.3	932.4	1,013.6	2.0	127.9	62.6	79.3
PROPERTY	72.2	98.8	10.6	16.7	0.0	0.0	2.8	13.1
TELECOMMUNICATIONS	105.5	101.4	6.9	20.3	0.0	0.0	3.4	43.8
OTHER	163.0	183.6	71.2	75.6	0.0	0.0	10.4	36.5
Segment totals	5,911.8	5,835.5	1,822.1	1,907.1	446.6	576.1	380.4	464.7
Unallocated items	104.7	167.7	1,866.0	1,987.8	0.0	0.0	38.8	24.0
Consolidated total	6,016.5	6,003.2	3,688.1	3,894.9	446.6	576.1	419.2	488.7

* Included in Assets total

Note 6 – Segment information (continued)

6(d) Funds employed

	GAS NETWORKS 2002 $M	ELECTRICITY NETWORKS 2002 $M	AGILITY 2002 $M	ENERGY SALES & MARKETING 2002 $M	ENERGY INVEST-MENTS 2002 $M	POWER GENERATION 2002 $M	LPG 2002 $M	NEW ZEALAND BUSINESS 2002 $M	PROPERTY 2002 $M	TELECOMM-UNICATIONS 2002 $M	OTHER 2002 $M
CURRENT ASSETS											
Cash	0.0	0.0	0.4	5.5	0.0	0.0	0.0	0.6	0.0	0.4	5.0
Receivables	2.8	9.9	22.6	479.1	0.0	3.3	32.5	131.4	6.0	0.0	6.5
Inventories	0.0	0.0	4.9	6.7	0.0	0.3	0.0	8.0	0.0	0.0	1.8
Property, plant and equipment	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.5	0.0	0.0
Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	26.9	0.0	0.8	0.0	54.7	0.9	0.0	0.0
Non-current assets											
Receivables	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.3	14.3	0.0	2.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity accounted investments	0.0	0.0	0.0	0.0	368.1	0.0	76.5	2.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	11.9	0.0	133.3	0.0	98.0	0.0
Property, plant and equipment	944.1	489.0	10.8	30.2	0.0	247.9	3.0	1,140.6	40.8	0.0	121.4
Intangibles	0.0	577.6	0.0	196.5	0.0	0.0	0.0	94.5	0.0	0.0	20.3
Deferred expenditure	220.8	29.9	0.0	13.3	0.0	2.9	0.0	11.4	0.0	0.0	0.8
Tax assets	2.2	1.3	10.4	27.1	4.0	4.1	0.0	32.5	1.7	7.1	4.7
Other	1.8	2.8	5.2	0.0	0.0	0.0	0.0	81.7	0.0	0.0	0.0
Total assets	1,173.9	1,110.6	54.4	785.9	372.1	271.2	112.0	1,691.0	72.2	105.5	163.0
CURRENT LIABILITIES											
Payables	3.5	9.9	21.2	280.6	0.0	20.7	0.2	105.5	1.9	2.4	8.4
Provisions	6.5	1.2	14.9	30.1	0.0	0.1	0.0	8.8	1.2	4.5	0.9
Tax liabilities	0.0	1.0	15.4	6.4	16.6	0.5	1.9	8.1	2.6	0.0	0.0
Unearned revenue	0.0	0.2	0.0	8.4	0.0	0.1	0.0	0.4	0.7	0.0	0.0
Non-current liabilities											
Payables	0.0	0.0	0.0	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.2	0.0	18.5	32.6	0.0	0.0	0.0	0.0	0.5	0.0	0.3
Tax liabilities	177.1	55.5	0.0	49.5	7.2	8.4	0.2	83.1	2.7	0.0	1.9
Unearned revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	1.0	0.0	0.0
Funds employed	986.6	1,042.8	(15.6)	366.1	348.3	241.4	109.7	1,482.7	61.6	98.6	151.5
Guarantee support	0.0	0.0	12.7	247.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note 6 – Segment information (continued)

6(e) Profit from ordinary activities before borrowing costs and significant items

	GAS NETWORKS	ELECTRICITY NETWORKS	AGILITY	ENERGY SALES & MARKETING	ENERGY INVEST-MENTS	POWER GENERATION	LPG	NEW ZEALAND BUSINESS	PROPERTY	TELECOMM-UNICATIONS	OTHER
	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Before income tax	151.3	60.8	46.5	102.2	62.7	3.0	15.1	137.6	(2.4)	(13.5)	(5.5)
After income tax	112.7	41.7	35.9	68.5	46.3	2.1	13.3	81.0	3.2	(9.7)	(7.8)

6(f) Profit from ordinary activities before borrowing costs and significant items/funds employed* (%)

Before income tax	15.5	5.9	n/a	31.4	17.5	1.9	14.5	9.1	n/a	n/a	n/a
After income tax	11.5	4.0	n/a	21.1	12.9	1.4	12.8	5.4	4.5	n/a	n/a

* Weighted where appropriate.

6(g) Profit from ordinary activities before borrowing costs and significant items/funds employed including guarantee support* (%)

Before income tax	15.5	5.9	n/a	16.1	17.5	1.9	14.5	8.7	n/a	n/a	n/a
After income tax	11.5	4.0	n/a	10.8	12.9	1.4	12.8	5.1	4.5	n/a	n/a

* Weighted where appropriate.

6(h) Geographical segments

	EXTERNAL REVENUES		ASSETS		AQUISITION OF NON-CURRENT ASSETS	
	2002	2001	2002	2001	2002	2001
	$M	$M	$M	$M	$M	$M
Australia	2,309.5	2,465.8	4,162.5	3,951.3	346.2	372.9
New Zealand	806.8	1,000.7	1,691.0	1,868.3	62.6	79.3
Other	32.1	32.4	163.0	183.6	10.4	36.5
	3,148.4	3,498.9	6,016.5	6,003.2	419.2	488.7

There was no material inter-segment revenue.

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

(a) On 2 July 2002 the consolidated entity entered into an agreement to acquire the Victorian businesses Pulse Energy Pty Ltd, Utili-Mode Pty Ltd and EdgeCap Pty Limited for a total cost of $880 million (including working capital of $79 million). These purchases were settled on 31 July 2002.

(b) On 3 July 2002 AGL raised $380 million by way of placement of 41.1 million fully-paid ordinary shares to various institutions at $9.25 per share.

AGL also announced that an offer by way of Share Purchase Plan (SPP) would be made to all Australian and New Zealand Proprietors to subscribe for up to $2,960 worth of fully-paid ordinary shares in AGL at $9.25 per share. The SPP subsequently raised $95.2 million.

Shares issued under both the institutional placement and the SPP were issued 'cum' dividend and will participate in the final dividend payment in October 2002.

The funds raised from both these offers will be used to reduce debt associated with the acquisition of the Victorian businesses.

(c) On 3 July 2002 a Special General Meeting of the Proprietors of AGL approved the conversion of AGL into a body corporate (including the adoption of a new Constitution) and its registration under the Corporations Act 2001, subject to a number of conditions being satisfied. In the process of conversion the existing 5% limitation on holding shares in AGL and the scaled voting regime which currently applies to AGL shareholdings will be removed.

Independent Audit Report

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 2002 as set out on pages 43 to 55, 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 2002. Our audit report on the full financial report was signed on 22 August 2002, 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, 22 August 2002

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

FIVE YEAR SUMMARY

	2002	2001	2000	1999	1998
STATISTICS					
Revenue (excluding significant items) ($m)	3,197.2	3,277.2	2,438.8	1,675.8	1,263.4
Depreciation and amortisation ($m)	219.8	198.2	151.9	108.8	86.3
Profit before borrowing costs and tax and significant items ($m)	552.1	519.4	529.0	362.5	305.0
Borrowing costs ($m)	172.2	181.9	152.0	91.4	57.5
Tax expense (excluding significant items) ($m)	116.3	108.7	115.3	63.2	69.4
Profit after tax and before significant items ($m)	263.6	228.8	261.7	207.9	178.1
Profit attributable to Proprietors ($m)	192.1	115.4	450.0	221.3	196.4
Proprietors' equity ($m)	2,101.0	1,905.9	1,785.6	1,524.1	1,392.5
Net borrowings ($m)	2,484.1	2,568.5	2,019.7	1,316.0	881.0
Total assets ($m)	6,016.5	6,003.2	5,345.1	3,616.0	2,982.2
Funds employed ($m)	4,825.6	4,777.7	4,136.7	2,860.3	2,279.6
Net assets ($m)	2,328.4	2,108.3	2,085.9	1,524.3	1,392.7
Operating cash flow ($m)	344.3	297.4	373.3	297.2	264.4
Capital expenditure ($m)	412.6	384.7	289.3	433.7	252.9
Number of employees	2,639	3,218	2,979	2,115	2,096
Issued shares (m)	382.1	359.8	342.0	328.8	322.7
Number of Proprietors	105,313	95,666	83,694	57,600	41,738
Market capitalisation ($m)	3,764.7	3,051.1	3,402.9	3,021.7	3,258.8
PERFORMANCE INDICATORS					
Net tangible assets attributable to Proprietors/share ($)	3.17	2.46	1.83	2.81	2.44
Net assets attributable to Proprietors/share ($)	5.50	5.30	5.22	4.64	4.31
Earnings/share (1)					
– excluding significant items (cents)	66.4	63.5	73.5	63.3	59.0
– including significant items (cents)	51.6	32.7	132.8	67.4	65.2
Dividends/share (cents)	52.0	52.0	74.0	45.0	41.0
Operating cash flow/share (cents) (2)	92.5	84.4	111.0	91.3	88.6
Profit before borrowing costs and tax and significant items /revenue (excluding significant items) (%)	17.3	15.8	21.1	20.8	22.9
Profit before borrowing costs, tax and significant items/ average funds employed (%)	11.5	11.7	14.7	13.6	16.4
Earnings on Proprietors' equity (3)					
– excluding significant items (%)	12.3	12.1	15.0	14.3	15.5
– including significant items (%)	9.6	6.3	27.2	15.2	17.2
Debt: debt plus equity (%) (4)	51.6	54.9	49.2	46.3	38.7
Net borrowing costs cover (times) (5)	3.2	2.9	3.7	4.5	7.0
Current ratio (6)	0.67	0.56	0.73	0.79	0.86
Revenue (excluding significant items)/employee ($000)	1,091.8	1,057.7	957.5	795.9	649.6
Profit before borrowing costs, tax and significant items /employee ($000)	188.5	167.6	202.3	165.7	148.4

(1) Profit after tax and outside equity interests; shares weighted for issues and adjusted for bonus elements.
(2) Net cash provided by operating activities; shares weighted for issues and adjusted for bonus elements.
(3) Profit after tax and outside equity interests; Proprietors' equity averaged for movements during the year.
(4) Net borrowings as a percentage of total net borrowings plus equity.
(5) Net borrowing costs related to profit before borrowing costs, tax and significant items.
(6) Liquidity was supported by $1,704.2 million of unused credit facilities at 30 June 2002 (refer Note 49(b) to the full financial report).

SHAREHOLDING INFORMATION

The following information with respect to 433,527,432 fully-paid ordinary shares on issue as at 15 August 2002 reflects the Share Register at that date.

1. There were 107,256 holders of ordinary shares. Voting rights in the case of a poll are: one vote for every 5 shares up to 100 shares; one vote for every 10 shares between 101 and 200 shares; and one vote for every 25 shares in excess of 200 shares up to one fourth of the total number of shares issued (see Note below).
2. The 20 largest holders represented 41.02% of the total issued capital.
3. The distribution of holders was:

1 – 1,000 shares	52,249
1,001 – 5,000 shares	46,608
5,001 – 10,000 shares	5,406
10,001 – 100,000 shares	2,851
100,001 shares and over	140
	107,256

4. There were 5,214 holders of less than 100 shares.
5. Holders by address and class of holder were:

ADDRESSES	NO. OF HOLDERS	%	NO. OF SHARES	%
Australia	102,099	95.19	423,068,790	97.59
USA and Canada	610	0.57	593,353	0.14
United Kingdom	460	0.43	781,815	0.18
New Zealand	3,457	3.22	7,513,613	1.73
Others	630	0.59	1,569,861	0.36
	107,256	100	433,527,432	100

CLASS OF HOLDER	NO. OF HOLDERS	%	NO. OF SHARES	%
Individuals	75,181	70.09	133,608,274	30.82
Companies and other	32,075	29.91	299,919,158	69.18
	107,256	100	433,527,432	100

TWENTY LARGEST HOLDERS AS AT 15 AUGUST 2002	FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED SHARES
J P Morgan Nominees Australia Limited	41,550,330	9.58
Westpac Custodian Nominees Limited	29,344,877	6.77
National Nominees Limited	28,070,388	6.48
RBC Global Services Australia Nominees Pty Ltd	20,601,833	4.75
AMP Limited	8,186,522	1.89
Queensland Investment Corporation	6,989,167	1.61
Citicorp Nominees Pty Limited	6,890,481	1.59
ANZ Nominees Limited	6,109,791	1.41
MLC Limited	5,086,314	1.17
Commonwealth Custodial Services Limited	4,843,404	1.12
Cogent Nominees Pty Limited	4,469,951	1.03
Suncorp General Insurance Limited	2,875,162	0.66
HSBC Custody Nominees (Australia) Ltd	2,632,522	0.61
Australian Foundation Investment Company Limited	2,139,581	0.49
UBS Warburg Private Clients Nominee Pty Ltd	1,984,119	0.46
Argo Investments Limited	1,441,056	0.33
Labrador Pty Limited	1,263,150	0.29
Government Superannuation Office	1,220,713	0.28
Health Super Pty Ltd	1,175,049	0.27
CSS Board	974,011	0.23
	177,848,421	41.02

Note: The Gas Industry Restructuring Act 1996 (formerly the Gas Act 1986) prohibits any shareholding entitlement in excess of 5% of the Company's issued capital except where the Minister for Energy and Utilities has given written approval to such a holding with the Company's consent.
J P Morgan Nominees Australia Limited, Westpac Custodian Nominees Limited and National Nominees Limited, hold the shares registered in their names as bare trustees.

Enquiries

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

Share Registry
The Australian Gas Light Company
Locked Bag 944
North Sydney NSW 2059
Australia

Telephone: 02 9922 8259 (within Australia)
612 9922 8259 (international)
Facsimile: 02 9922 8465 (within Australia)
612 9922 8465 (international)
Email: shareregistry@agl.com.au

Enquiries of a general nature should be directed to the Manager Share Registry Services on 02 9922 8257.

The Final Dividend

Subject to formal approval at the Annual General Meeting to be held on Tuesday 15 October 2002, the final dividend of 27 cents per share (franked to 16 cents per share) will be paid on Wednesday 16 October 2002.

The Foreign Dividend Account credit in respect of the dividend is 5 cents per share.

Direct Payment to Proprietors' Accounts

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

Dividend Reinvestment Plan

The Plan offers Proprietors the alternative of receiving shares in lieu of a cash dividend and will apply to the final dividend. Shares are issued at a 2.5% discount on the ex-dividend weighted average market price of the Company's shares over the five business days up to and including the record date and no brokerage or stamp duty is payable. A booklet explaining the AGL Dividend Reinvestment Plan can be obtained from the Share Registry.

Stock Exchange Listing

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

Issuer Sponsorship

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

CHESS (Clearing House Electronic Sub-register System)

CHESS is the centralised electronic clearing, settlement and transfer system for trading securities on the Australian Stock Exchange. Today's buy/sell timing is described as T+3 (transaction date plus 3 days).

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

Change of Name/Address

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

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

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

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

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

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

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

Australian Business Number (ABN)
As from July 2000 Australian companies have the option to quote their ABN in lieu of their TFN to avoid withholding tax being deducted from dividends which are unfranked.

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

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

Registered Office
AGL Centre
Cnr Pacific Highway & Walker Street
North Sydney NSW 2060
Australia

Telephone: 02 9922 0101 (within Australia)
612 9922 0101 (international)

Company Secretary
L J Fisk

DIRECTORY OF OFFICES

HEAD OFFICE

The Australian Gas Light Company
AGL Centre
Cnr Pacific Highway
& Walker Street
North Sydney NSW 2060
Telephone 02 9922 0101
Facsimile 02 9957 3671

ENERGY NETWORKS

Gas Networks
Level 11, AGL Centre
111 Pacific Highway
North Sydney NSW 2060
Telephone 02 9922 0101
Facsimile 02 9957 3871

Electricity Networks
Level 2, 333 Collins Street
Melbourne VIC 3000
Telephone 03 9201 7000
Facsimile 03 9201 7602

AGILITY

North Sydney
Level 11, AGL Centre
111 Pacific Highway
North Sydney NSW 2060
Telephone 02 9922 0101
Facsimile 02 9922 8381

Brisbane
Level 2, 96 Mount Gravatt-Capalaba Road
Upper Mount Gravatt QLD 4122
Telephone 07 3323 6000
Facsimile 07 3323 6010

Canberra
189 Gladstone Street
Fyshwick ACT 2609
Telephone 02 6295 5444
Facsimile 02 6239 2388

Darwin
16 Georgina Crescent
Palmerston NT 0830
Telephone 08 8924 8100
Facsimile 08 8932 1663

Melbourne
Level 2, 333 Collins Street
Melbourne VIC 3000
Telephone 03 9201 7000
Facsimile 03 9201 7602

Perth
Level 8, Australia Place
15-17 William Street
Perth WA 6000
Telephone 08 9422 4100
Facsimile 08 9322 3631

ENERGY SALES & MARKETING

North Sydney
Level 7, AGL Centre
111 Pacific Highway
North Sydney NSW 2060
Telephone 02 9922 0101
Facsimile 02 9922 8477

Adelaide
1 Anzac Highway
Keswick SA 5035
Telephone 08 8404 5666
Facsimile 08 8404 5808

Canberra
Level 4, ActewAGL House
221 London Circuit
Canberra City ACT 2601
Telephone 02 6243 0900
Facsimile 02 6243 0916

Five Dock
181-187 First Avenue
Five Dock NSW 2046
Telephone 02 9712 6116
Facsimile 02 9712 6150

Melbourne
Level 2, 333 Collins Street
Melbourne VIC 3000
Telephone 03 9201 7000
Facsimile 03 9629 1878

Mount Waverley
Level 3, 43-45 Centreway
Mount Waverley VIC 3149
Telephone 03 9222 9230
Facsimile 03 9922 9177

Southbank
Level 19, HWT Building
40 City Road
Southbank VIC 3006
Telephone 03 9222 9199
Facsimile 03 9926 5580

NEW ZEALAND

Wellington
10 Hutt Road
Petone
Wellington
Telephone 0011 64 4 576 8700
Facsimile 0015 64 4 576 8600

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