

Consolidated Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2002

	2002	2001
	\$M	\$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	2001
	\$M	\$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

Financial Commentary

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

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.

Financial Commentary

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

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

Financial Commentary

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

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).

Financial Commentary

DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

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)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

Note 6 – Segment information (continued)**6(c) Segment assets and liabilities**

	ASSETS		LIABILITIES		EQUITY ACCOUNTED INVESTMENTS*		ACQUISITION 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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

Note 6 – Segment information (continued)**6(d) Funds employed**

	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
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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2002

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 INVESTMENTS	POWER GENERATION	LPG	NEW ZEALAND BUSINESS	PROPERTY	TELECOMMUNICATIONS	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		ACQUISITION 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



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).