

Consolidated Statement of Financial Performance

For the Year Ended 30 June 2003

	2003 \$m	2002 \$m
Revenue from ordinary activities	4,687.8	3,148.4
Expenses from ordinary activities	(3,771.2)	(2,522.6)
Equity accounted share of profits of associates and joint venture entities	20.6	70.6
Profit from ordinary activities before borrowing costs, depreciation and amortisation	937.2	696.4
Depreciation and amortisation	(249.9)	(219.8)
	687.3	476.6
Borrowing costs	(174.6)	(172.2)
Profit from ordinary activities before income tax	512.7	304.4
Income tax attributable to ordinary activities	(172.8)	(102.2)
Profit from ordinary activities after income tax	339.9	202.2
Outside equity interests in profit after income tax	(44.9)	(10.1)
Profit after income tax attributable to Shareholders of the Parent Entity	295.0	192.1
(Decrease) increase in foreign currency translation reserve arising on translation of financial reports of foreign controlled operations	(5.5)	7.7
Total revenue, expense and valuation adjustments attributable to Shareholders of the Parent Entity recognised directly in equity	(5.5)	7.7
Total changes in equity other than those resulting from transactions with Shareholders as owners	289.5	199.8
Earnings per share		
Basic (cents)	67.3	51.6
Diluted (cents)	67.3	51.6
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share (millions)	438.5	372.3

Consolidated Statement of Financial Position

As at 30 June 2003

	2003 \$m	2002 \$m
Current assets		
Cash	56.5	13.1
Receivables	803.9	702.0
Inventories	23.0	21.5
Property, plant and equipment	0.0	10.6
Other assets	110.2	87.9
Total current assets	993.6	835.1
Non-current assets		
Receivables	35.3	33.9
Equity accounted investments	474.2	446.6
Other financial assets	25.0	243.2
Property, plant and equipment	2,681.7	3,041.7
Intangible assets	1,650.3	888.9
Deferred expenditure	352.3	339.7
Deferred tax assets	120.4	96.3
Other assets	61.7	91.1
Total non-current assets	5,400.9	5,181.4
Total assets	6,394.5	6,016.5
Current liabilities		
Payables	445.8	494.7
Interest bearing liabilities	274.4	518.4
Provisions	112.6	178.5
Current tax liabilities	34.7	35.4
Unearned revenue	15.6	10.6
Total current liabilities	883.1	1,237.6
Non-current liabilities		
Interest bearing liabilities	1,772.7	1,991.7
Provisions	85.4	63.8
Deferred tax liabilities	490.6	390.2
Unearned revenue	9.7	4.8
Total non-current liabilities	2,358.4	2,450.5
Total liabilities	3,241.5	3,688.1
Net assets	3,153.0	2,328.4
Equity		
Contributed equity	2,180.8	382.1
Reserves	(11.5)	1,158.3
Retained profits	727.5	560.6
Equity attributable to Shareholders of the Parent Entity	2,896.8	2,101.0
Outside equity interests in controlled entities	256.2	227.4
Total equity	3,153.0	2,328.4

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2003

	Inflows (Outflows)	
	2003	2002
	\$m	\$m
Cash flows from operating activities		
Receipts from customers	4,802.6	3,679.7
Payments to suppliers and employees	(4,094.3)	(3,198.9)
Dividends received	66.8	72.5
Interest received	9.0	13.6
Borrowing costs paid	(169.2)	(180.0)
Income taxes paid	(72.7)	(42.6)
Net cash provided by operating activities	542.2	344.3
Cash flows from investing activities		
Payments for property, plant and equipment	(296.0)	(415.4)
Payments for investments	(16.0)	(43.3)
Payments for acquisition of controlled entities	(24.2)	0.0
Payments for additional investments in controlled entities	0.0	(8.6)
Loans advanced	(4.7)	(3.5)
Proceeds from sale of property, plant and equipment	86.1	248.9
Proceeds from disposal of investments	133.2	5.7
Proceeds from sale of controlled entities	571.6	0.0
Proceeds from loan repayments	47.6	4.8
Net cash provided by (used in) investing activities	497.6	(211.4)
Cash flows from financing activities		
Proceeds from issue of shares	634.5	191.4
Proceeds from borrowings and hedge receipts on foreign currency borrowings	696.9	1,078.0
Repayment of borrowings and hedge payments on foreign currency borrowings	(2,076.0)	(1,299.3)
Dividends paid	(250.1)	(198.4)
Net cash used in financing activities	(994.7)	(228.3)
Net increase (decrease) in cash held	45.1	(95.4)
Cash at the beginning of the financial year	5.8	100.7
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.5)	0.5
Cash at the end of the financial year	50.4	5.8

Financial Commentary

Discussion and Analysis of Financial Statements

1. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Profit Attributable to Shareholders

Profit after income tax attributable to AGL Shareholders has increased by \$102.9 million to \$295.0 million over the previous year, resulting in a 30.4% increase in earnings per share to 67.3 cents.

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

- Net gain on the disposal of NGC assets (\$61.2 million);
- Profit on the sale of Stage 5 of Breakfast Point (\$13.2 million);
- Provision for property rehabilitation obligations (\$3.5 million);
- Equity accounted losses relating to the COMindico investment (\$52.5 million);
- Write-down relating to the TransACT investment (\$17.0 million); and
- Loss on disposal of the TrustPower investment (\$4.0 million).

The underlying profit after income tax for the Group of \$320.8 million, excluding significant items and the outside equity interests associated with those significant items, has increased by 29.8% compared with the previous year.

	Excluding Significant Items		Including Significant Items	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
Profit before borrowing costs, depreciation and amortisation	938.5	771.9	937.2	696.4
Depreciation and amortisation	(249.9)	(219.8)	(249.9)	(219.8)
Profit before borrowing costs and income tax	688.6	552.1	687.3	476.6
Borrowing costs	(174.6)	(172.2)	(174.6)	(172.2)
Profit before income tax	514.0	379.9	512.7	304.4
Income tax	(171.6)	(116.3)	(172.8)	(102.2)
Profit after income tax	342.4	263.6	339.9	202.2
Outside equity interests	(21.6)	(16.5)	(44.9)	(10.1)
Profit after income tax attributable to Shareholders	320.8	247.1	295.0	192.1

Segment Results (including significant items)

Profit from ordinary activities (including significant items) before borrowing costs and tax was \$687.3 million.

• Gas Networks – contribution \$151.9 million (2002 \$151.3 million) ▲

Profit from the Gas Networks business in NSW increased by \$0.6 million, or 0.4%, over the previous year, despite last year's result including a \$12.6 million transfer to revenue from the Gas Customers' Reserve Account, or GCRA, which was available to remove the cross subsidy from network pricing for contract customers. There was no corresponding GCRA transfer to revenue in the current year.

In addition, during the year the useful lives of gas meter assets were amended, resulting in a reduction in depreciation of \$3.2 million. Excluding these amounts Gas Networks' profit would have increased by \$10.0 million or 7.2%.

The current year result was achieved in spite of the warmer winter and spring weather experienced in NSW. Total gas transported through the distribution network for the year was 97.1 PJ, almost the same as the previous year, reflecting higher gas transported to contract customers, off-set by lower volumes transported to the residential and small business sectors due to the warmer weather.

Financial Commentary

Discussion and Analysis of Financial Statements

Sites connected to the NSW network at year end totalled 888,572 an increase of 28,008 for the year.

Return on funds employed before borrowing costs, tax and significant items was 15.4% (2002 15.5%).

- **Electricity Networks – contribution \$64.0 million (2002 \$60.8 million) ▲**

Profit from the Electricity Networks division increased \$3.2 million, or 5.3%, over the previous year. The increase in profit was achieved despite an unanticipated \$4.6 million increase in cost of sales due to higher Transmission Use of System charges. The higher cost of sales was partially recovered through a pass-through mechanism agreed with the Essential Services Commission, which allowed higher network charges from 1 January 2003. Also during the year the useful lives of various 'installed' electricity distribution assets were amended, resulting in a reduction in depreciation of \$5.0 million.

Total electricity delivered across the distribution network for the year was 4,034 GWh, an increase of 51 GWh, or 1.3%, over the previous year. The increase reflected an additional 6,652 sites connected to the network during the year, partially off-set by lower volumes of electricity distributed, due to the milder weather experienced during winter in Victoria.

Return on funds employed before borrowing costs, tax and significant items was 6.1% (2002 5.9%).

- **Agility – contribution \$50.5 million (2002 \$43.3 million) ▲**

Profit for the year from Agility increased by \$7.2 million, compared to the previous year. Included in last year's result was \$3.2 million of redundancy costs relating to the restructure of business processes. Excluding the impact of this significant item, underlying profit increased \$4.0 million, or 8.6%, principally as a result of operational cost efficiencies.

- **Energy Sales & Marketing – contribution \$196.6 million (2002 \$100.1 million) ▲**

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

Profit increased by \$96.5 million over the previous year. The result reflected the acquisition of the Pulse Energy businesses which contributed \$96.2 million to profit for the eleven month period from acquisition. The current year result, excluding Pulse, was impacted by the high cost of wholesale electricity contracts in South Australia particularly over the summer period, despite an appropriate increase in residential and small business tariffs which became effective from 1 January 2003. Improved gas margins in NSW were partially off-set by the costs incurred by AGL to implement and support Full Retail Contestability.

EBIT/sales revenue was 6.3% compared to 5.1% for the previous year. Return on funds employed before borrowing costs, tax and significant items (including Parent Entity guarantee support of \$377.6 million) was 16.4% (2002 16.1%).

- **Energy Investments – contribution \$64.5 million (2002 \$62.7 million) ▲**

Profit from Energy Investments includes AGL's share of equity accounted profits from its 30% investment in the Australian Pipeline Trust totalling \$16.4 million (2002 \$16.3 million) and its 50% investment in the ActewAGL distribution and retail partnerships totalling \$44.4 million (2002 \$43.1 million).

Return on funds employed before borrowing costs, tax and significant items was 18.7% (2002 17.5%).

- **Power Generation – contribution \$20.1 million (2002 \$3.0 million) ▲**

Profit from power generation investments increased by \$17.1 million, primarily as a result of the commencement of commercial operations at the Somerton (150 MW) and Hallett (180 MW) peaking power plants during the first half of the year.

AGL's other power generation investments include ownership of the 20 MW power plant at Cawse and a 50% interest in the Windimurra power station, both in Western Australia. Operations at Windimurra were suspended during the second half of the year until a decision on the plant's future is made.

AGL's 15% interest in the Southern Cross Energy partnership was sold during the year for book value.

Return on funds employed before borrowing costs, tax and significant items was 7.4% (2002 1.9%).

- **LPG – contribution \$20.1 million (2002 \$15.1 million) ▲**

AGL's 50% interest in Elgas made a \$12.8 million equity accounted contribution, an increase of \$1.5 million, or 13.3%, on last year, reflecting improved trading margins.

H C Extractions (HCE) contributed \$7.3 million, an increase of \$3.5 million on the previous year. HCE's profitability was enhanced due to higher prices for LPG sales during the year. The prior year result was impacted by an extended shutdown for major maintenance.

Return on funds employed before borrowing costs, tax and significant items was 20.1% (2002 14.5%).

- **New Zealand – contribution \$198.8 million (2002 \$104.4 million) ▲**

AGL's 66.1% investment in NGC derived a profit (before borrowing costs, tax and outside equity interests) of \$199.6 million for the year compared to \$99.6 million last year. This year's result included a one-off gain of \$63.7 million from the disposal of its power generation assets, whilst the prior year included a \$33.2 million abnormal loss from its electricity retail and trading business due to the effect of abnormally high wholesale electricity prices. Adjusted for these significant items, NGC's underlying profit has increased \$3.1 million for the year.

AGL's 20.5% investment in TrustPower contributed \$6.0 million, up \$1.2 million on the previous year, before being sold in June this year, realising a \$4.0 million loss on disposal.

Return on funds employed before borrowing costs, tax and significant items was 12.6% (2002 8.7%).

- **Property – contribution \$7.2 million (2002 loss \$2.8 million) ▲**

Property's contribution was up \$10.0 million on the previous year. This year's result included a profit of \$13.5 million from the sale of Stage 5 of Breakfast Point, which was partially off-set by the recognition of a \$5.0 million provision in order to meet AGL's property rehabilitation obligations in respect of its non-core and previously owned properties.

- **Telecommunications – loss \$70.2 million (2002 loss \$55.6 million) ▼**

This division includes AGL's investments in COMindico, a national internet protocol based wholesale network and TransACT, a broadband fibre optic telecommunications network in the ACT. As previously indicated to Shareholders, these investments are not part of AGL's core business.

During the year AGL commenced equity accounting for its investment in COMindico. As a result AGL has recognised its share of COMindico's losses from the date of its original investment in September 2000 through to 30 June 2003, totalling \$52.5 million. AGL has invested a total of \$72.0 million, which with the recognition of the equity accounted losses of \$52.5 million, has resulted in a net carrying value of its investment in COMindico at 30 June 2003 of \$19.5 million.

In addition, at 30 June 2003 the decision was made to review the carrying value of AGL's investment in TransACT. As a result of this review \$17.0 million of the TransACT investment has been written off, resulting in a net carrying value at 30 June 2003 of \$25.0 million.

- **Other – loss \$0.3 million (2002 loss \$5.9 million) ▲**

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

The contribution from GasValpo of \$7.0 million increased by \$5.2 million compared to last year, reflecting higher margins and lower operating costs.

Revenues (▲ 48.9%)

Total revenues from ordinary activities (including significant items) increased by \$1,539.4 million to \$4,687.8 million. This increase mainly reflects additional revenues from the Pulse Energy businesses acquired during the year (\$888.3 million), as well as one-off proceeds from the disposal of NGC's power generation assets and retail gas customers and AGL's investment in TrustPower. Off-setting these increases was lower revenues from NGC's retail gas and electricity businesses, which have now been fully divested.

Financial Commentary

Discussion and Analysis of Financial Statements

Expenses (▲ 49.5%)

Total expenses from ordinary activities (including significant items) increased by \$1,248.6 million to \$3,771.2 million. This increase mainly reflects additional expenses relating to the Pulse Energy businesses acquired (\$756.2 million), as well as the one-off carrying costs relating to the various assets sold during the year by NGC and AGL and the write-off relating to AGL's telecommunications investment. Off-setting these increased expenses were lower expenses from NGC's retail gas and electricity businesses disposed of during the course of the last two years.

Depreciation and Amortisation (▲ 13.7%)

Depreciation and amortisation has increased by \$30.1 million as a result of higher amortisation of the licences relating to the Pulse Energy businesses acquired during the year (\$30.9 million).

Borrowing Costs (▲ 1.4%)

Borrowing costs have increased by \$2.4 million to \$174.6 million. This increase reflects the higher average borrowings maintained by the Group, which increased from an average \$2,532.8 million over the 2002 year to \$2,629.5 million over the 2003 year. The average interest rate for the year decreased from 6.8% to 6.6%.

The Group's borrowing costs coverage ratio (excluding significant items) has increased to 3.9 times as a result of the increase in operating profits before tax.

Income tax (▲ \$70.6 million)

Income tax has increased principally as a result of higher operating profits for the year. Income tax attributable to ordinary activities (excluding significant items) increased from 30.6% to 33.4% this year. This increase was mainly due to higher non-allowable expenditure, including amortisation of intangibles and asset write-downs, and lower non-assessable revenues.

Dividends (▲ 5.8%)

A partially franked interim dividend of 26 cents (16 cents franked) was paid on 28 March 2003 compared to 25 cents (19 cents franked) for the previous year. The Directors have declared a final dividend of 29 cents (18 cents franked) compared to 27 cents (16 cents franked) provided in the prior year. Total dividends for

the year will be 55 cents (34 cents franked) compared to 52 cents (35 cents franked) for the previous year. The final dividend will carry a Foreign Dividend Account (FDA) credit of 4 cents per share (2002 5 cents).

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets (▲ \$378.0 million)

The increase in total assets for the year resulted from the acquisition of the Pulse Energy businesses, as well as further capital expenditure in the normal course of business. This increase has been partially off-set by the divestment of NGC's power generation assets and AGL's TrustPower investment. As a result of the increase in total assets, net assets attributable to Shareholders has increased from \$5.50 per share to \$6.43 per share.

Intangible assets at 30 June 2003 totalled \$1,650.3 million compared to \$888.9 million at the end of the last year. The increase reflects the acquisition of the Pulse Energy licences, partially off-set by the write-off of goodwill by NGC on the disposal of its assets. As a consequence net tangible assets per share has decreased from \$3.17 to \$2.75.

Net Borrowings (▼ \$506.6 million)

Net borrowings of the Group have decreased from \$2,484.1 million to \$1,977.5 million over the course of the year. The Group's debt : debt plus equity ratio has correspondingly decreased from 51.6% to 38.5% as a result of the reduced borrowings and an increase in contributed equity, principally relating to equity issued to fund the Pulse acquisition.

The Company's long term credit rating by Moody's Investor Services changed on 16 July 2003 from A2 (negative outlook) to A2 (stable), whilst Standard & Poor's long term credit rating was affirmed on 14 August 2003 at A.

Equity (▲ 35.4%)

Total equity has increased \$824.6 million to \$3,153.0 million at 30 June 2003. This increase reflects an increase in contributed equity resulting from the issue of shares during the year, as well as an increase in retained earnings of \$166.9 million. At 30 June 2003 there were 450.2 million shares on issue, compared with 382.2 million shares at 30 June 2002.

The increase in shares on issue principally relates to shares issued under the Institutional Placement (41.1 million) and shares issued under the AGL Share Purchase Plan (10.3 million). The AGL Dividend Reinvestment Plan (DRP) also continued to operate during the year. A total of 9.6 million shares were issued under the DRP, with 42% and 41% of dividends reinvested by Shareholders for the 2001/2002 final dividend and the 2002/2003 interim dividend respectively. An additional 6.4 million shares were also issued under an underwriting agreement in respect of the DRP for the 2002/2003 interim dividend payment.

3. CONSOLIDATED STATEMENT OF CASH FLOWS

Operating Cash Flows (\$542.2 million inflow)

Operating cash flows have increased by \$197.9 million from last year. This increase reflected increased operating cash flows from the investment in NGC (▲ \$106.8 million), power generation investments (▲ \$26.1 million), and improved cash flows from the ES&M business (▲ \$76.9 million, including the Pulse Energy businesses acquired during the year (\$66.7 million)). The close-down of the Dingo Blue business also resulted in an improvement of \$20.8 million in operating cash flows. Borrowing costs and tax payments increased by \$19.3 million.

As a result of the improved cash flows spread over a larger number of shares on issue, operating cash flow per share has increased from 92.5 cents to 123.6 cents.

Investing Cash Flows (\$497.6 million inflow)

During the year proceeds were received from the following significant asset disposals and loan repayments:

- \$563.0 million from the sale of NGC's power generation assets;
- \$130.5 million from the sale of the TrustPower investment;
- \$54.0 million from the sale of NGC's retail gas customers;
- \$32.5 million repayment of the loan to Elgas;
- \$23.1 million for settlements on the Breakfast Point property;

- \$10.9 million from the repayment of loan receivables; and
- \$8.5 million from the sale of the investment in the Southern Cross Energy partnership.

Capital was invested in a number of significant areas as follows:

- Approximately \$178.0 million on general gas and electricity network upgrades and market expansion activities in Australia, New Zealand and Chile. This expenditure was incurred to maintain the integrity of the existing distribution networks and provide continued growth opportunities;
- Approximately \$35.0 million on information technology, including implementing systems and infrastructure to support Full Retail Contestability;
- \$24.2 million, net of borrowing obligations assumed, to acquire the Pulse Energy businesses;
- \$81.0 million to complete the construction of the Somerton and Hallett peaking power generation plants in Victoria and South Australia; and
- \$16.0 million on the COMindico investment.

Financing Cash Flows (\$994.7 million outflow)

The outflow in financing cash flows for the year was principally driven by the net repayment of Group borrowings, partially off-set by proceeds received from the issuing of equity.

\$475.2 million was raised under the Institutional Placement and the AGL Share Purchase Plan undertaken at the beginning of the year. A further \$163.5 million was raised under the AGL Dividend Reinvestment Plan, including the underwriting of the interim dividend payment for the 2002/2003 year.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2003

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 2002, except as disclosed below.

Change in accounting policies

In accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets',

on 1 July 2002 the consolidated entity changed its policy for providing for dividends. Under the revised policy a provision for dividend is recognised when the Directors have declared, determined or publicly recommended the dividend. The effect of this change in accounting policy is to adjust opening retained profits by the amount of the dividend provision at 30 June 2002 (\$103.2 million).

NOTE 2 – CHANGE IN ACCOUNTING ESTIMATES

During the period the useful lives of certain 'installed' electricity distribution assets and gas meters were reviewed and amended, equivalent to their technical lives based on detailed engineering assessments. The extension in useful lives of the assets has resulted in a reduction of \$8.2 million in depreciation of plant and equipment for the year to 30 June 2003.

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.

	2003 \$m	2002 \$m
NOTE 4 – REVENUE		
Sales revenue	3,872.4	2,906.2
Other revenue	815.4	242.2
	4,687.8	3,148.4
NOTE 5 – DIVIDENDS		
Recognised amounts		
Interim dividend paid 28 March 2003 (2002 - 11 April 2002)		
Franked amount (16 cents per share (2002 - 19 cents per share))	70.3	70.6
Unfranked amount (10 cents per share (2002 - 6 cents per share))	43.9	22.3
Total amount (26 cents per share (2002 - 25 cents per share))	114.2	92.9
Final dividend paid on 16 October 2002 (2002 - final dividend provided)		
Franked amount (16 cents per share (2002 - 16 cents per share))	69.4	61.2
Unfranked amount (11 cents per share (2002 - 11 cents per share))	47.7	42.0
Total amount (27 cents per share (2002 - 27 cents per share))	117.1	103.2
	231.3	196.1
Unrecognised amounts		
Proposed final dividend to be paid 26 September 2003#		
Franked amount (18 cents per share)	81.0	
Unfranked amount (11 cents per share)	49.5	
Total amount (29 cents per share)	130.5	

The proposed final dividend in respect of ordinary shares for the year ended 30 June 2003 has not been recognised in this financial report because the proposed final dividend was not declared prior to 30 June 2003.

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 (Losses)		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks										
Gas Networks	28.3	33.6	6.8	1.3	289.6	286.1	0.0	0.0	324.7	321.0
Electricity Networks	54.5	48.2	3.0	3.7	115.0	111.6	0.0	0.0	172.5	163.5
	82.8	81.8	9.8	5.0	404.6	397.7	0.0	0.0	497.2	484.5
Agility	105.7	125.5	2.3	0.6	269.6	230.5	0.4	2.5	378.0	359.1
Energy Sales & Marketing	3,067.3	1,997.3	1.9	3.0	37.5	22.3	0.0	(0.2)	3,106.7	2,022.4
Energy Investments	13.3	3.3	3.3	5.1	0.0	0.0	60.9	59.5	77.5	67.9
Power Generation	9.0	9.0	8.7	0.3	29.2	0.6	0.0	0.0	46.9	9.9
LPG	22.2	15.7	1.2	2.1	0.0	0.0	11.5	9.1	34.9	26.9
New Zealand business	535.2	597.1	752.3	209.7	0.0	0.0	0.3	(0.3)	1,287.8	806.5
Property	0.0	3.3	23.2	1.0	0.1	0.1	0.0	0.0	23.3	4.4
Telecommunications	4.2	41.2	0.3	0.4	0.0	0.0	(52.5)	0.0	(48.0)	41.6
Other	29.9	31.5	3.9	0.6	0.0	0.0	0.0	0.0	33.8	32.1
Segment totals	3,869.6	2,905.7	806.9	227.8	741.0	651.2	20.6	70.6	5,438.1	3,855.3
Unallocated items	2.8	0.5	8.5	14.4	1.6	1.4	0.0	0.0	12.9	16.3
	3,872.4	2,906.2	815.4	242.2	742.6	652.6	20.6	70.6	5,451.0	3,871.6
Less: eliminations	0.0	0.0	0.0	0.0	(742.6)	(652.6)	0.0	0.0	(742.6)	(652.6)
	3,872.4	2,906.2	815.4	242.2	0.0	0.0	20.6	70.6	4,708.4	3,219.0

Revenue is principally derived from:

- (i) Energy Networks – distribution of 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 2003

NOTE 6 – SEGMENT INFORMATION (CONTINUED)

6(b) Segment results – profits (losses)

	Segment Results Profits (Losses)		Depreciation and Amortisation		Other Non-cash Expenses	
	2003	2002	2003	2002	2003	2002
	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks						
Gas Networks	151.9	151.3	39.5	41.8	2.3	1.7
Electricity Networks	64.0	60.8	24.8	28.3	0.8	1.4
	<u>215.9</u>	<u>212.1</u>	<u>64.3</u>	<u>70.1</u>	<u>3.1</u>	<u>3.1</u>
Agility	50.5	43.3	1.9	1.3	19.1	17.1
Energy Sales & Marketing	196.6	100.1	44.2	11.2	30.6	13.3
Energy Investments	64.5	62.7	0.0	0.0	0.0	0.0
Power Generation	20.1	3.0	5.3	1.8	0.3	0.1
LPG	20.1	15.1	0.8	0.2	0.7	1.5
New Zealand business	198.8	104.4	106.5	113.6	17.0	0.6
Property	7.2	(2.8)	1.1	1.0	6.1	1.1
Telecommunications	(70.2)	(55.6)	0.0	1.9	17.3	47.3
Other	(0.3)	(5.9)	5.1	5.2	1.7	7.2
Segment totals	703.2	476.4	229.2	206.3	95.9	91.3
Unallocated items	(15.9)	0.2	20.7	13.5	6.3	9.3
	<u>687.3</u>	<u>476.6</u>	<u>249.9</u>	<u>219.8</u>	<u>102.2</u>	<u>100.6</u>
Less: borrowing costs	(174.6)	(172.2)				
Profit from ordinary activities before income tax	512.7	304.4				
Income tax attributable to ordinary activities	(172.8)	(102.2)				
Profit from ordinary activities after income tax	<u>339.9</u>	<u>202.2</u>				

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

(i) Agility	\$nil (2002 \$(3.2) million)
(ii) Energy Sales & Marketing	\$nil (2002 \$(2.1) million)
(iii) New Zealand business	\$59.7 million (2002 \$(33.2) million)
(iv) Property	\$8.5 million (2002 \$(0.4) million)
(v) Telecommunications	\$(69.5) million (2002 \$(42.1) million)
(vi) Other	\$nil (2002 \$(0.4) million)
(vii) Unallocated	\$nil (2002 \$5.9 million)

NOTE 6 – SEGMENT INFORMATION (CONTINUED)**6(c) Segment assets and liabilities**

	Assets		Liabilities		Equity Accounted Investments*		Acquisition of Non-current Assets*	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m	2003 \$m	2002 \$m	2003 \$m	2002 \$m
Energy Networks								
Gas Networks	1,191.8	1,173.9	202.1	187.3	0.0	0.0	59.0	55.5
Electricity Networks	1,110.1	1,110.6	68.0	67.8	0.0	0.0	42.2	33.8
	2,301.9	2,284.5	270.1	255.1	0.0	0.0	101.2	89.3
Agility	59.6	54.4	61.3	70.2	0.0	0.0	8.0	8.1
Energy Sales & Marketing	1,986.9	785.9	588.4	419.8	0.0	0.0	935.3	12.0
Energy Investments	370.0	372.1	28.2	23.8	364.7	368.1	0.0	0.0
Power Generation	314.4	271.2	12.1	29.8	0.0	0.0	62.2	189.3
LPG	92.8	112.0	3.0	2.3	88.0	76.5	1.0	2.5
New Zealand business	892.8	1,691.0	169.2	932.4	2.0	2.0	32.5	62.6
Property	61.5	72.2	12.7	10.6	0.0	0.0	0.5	2.8
Telecommunications	45.0	105.5	3.4	6.9	19.5	0.0	0.3	3.4
Other	146.6	163.0	61.2	71.2	0.0	0.0	7.9	10.4
Segment totals	6,271.5	5,911.8	1,209.6	1,822.1	474.2	446.6	1,148.9	380.4
Unallocated items	123.0	104.7	2,031.9	1,866.0	0.0	0.0	35.2	38.8
Consolidated total	6,394.5	6,016.5	3,241.5	3,688.1	474.2	446.6	1,184.1	419.2

* included in Assets total

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2003

NOTE 6 – SEGMENT INFORMATION (CONTINUED)

6(d) Funds employed

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	LPG	New Zealand Business	Property	Tele-communications	Other
	Gas Networks	Electricity Networks									
	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m	2003 \$m
Current assets											
Cash	0.0	0.0	0.2	3.5	0.0	0.0	0.0	42.7	0.0	0.1	6.9
Receivables	6.7	7.9	20.4	683.9	0.0	1.1	1.5	64.7	0.1	0.3	5.0
Inventories	0.0	0.0	1.9	11.4	0.0	1.4	0.1	7.0	0.0	0.0	1.3
Other	0.2	0.4	0.4	80.2	0.0	0.9	0.0	24.6	0.6	0.0	0.0
Non-current assets											
Receivables	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.1	17.7	0.0	0.3
Equity accounted Investments	0.0	0.0	0.0	0.0	364.7	0.0	88.0	2.0	0.0	19.5	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0
Property, plant & equipment	960.6	499.1	19.7	48.5	0.0	305.1	3.2	673.9	40.1	0.0	107.6
Intangible assets	0.0	574.3	0.0	1,051.8	0.0	0.0	0.0	5.3	0.0	0.0	18.8
Deferred expenditure	222.2	24.3	0.0	35.5	0.0	2.7	0.0	3.7	0.0	0.0	0.7
Deferred tax assets	0.7	4.1	10.9	70.5	5.3	3.2	0.0	14.6	3.0	0.1	6.0
Other	1.4	0.0	6.1	0.0	0.0	0.0	0.0	54.2	0.0	0.0	0.0
Total assets	1,191.8	1,110.1	59.6	1,986.9	370.0	314.4	92.8	892.8	61.5	45.0	146.6
Current liabilities											
Payables	6.8	4.5	23.9	326.8	0.0	1.7	1.1	29.5	0.7	1.0	7.0
Provisions	1.8	0.6	14.3	59.0	0.0	0.0	0.0	26.4	3.9	2.4	0.6
Current tax liabilities	5.0	0.0	1.5	16.1	20.6	0.0	1.9	1.9	2.6	0.0	0.7
Unearned revenue	0.0	0.0	1.1	13.2	0.0	0.1	0.0	0.1	0.6	0.0	0.0
Non-current liabilities											
Payables	0.0	0.0	0.0	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.2	0.0	20.1	50.2	0.0	0.0	0.0	0.0	2.0	0.0	0.3
Deferred tax liabilities	187.8	63.0	0.2	101.6	7.6	10.3	0.0	111.3	2.1	0.0	0.1
Unearned revenue	0.5	0.0	0.0	7.5	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Funds employed	989.7	1,042.0	(1.5)	1,400.8	341.8	302.3	89.8	723.6	48.9	41.6	137.9
Guarantee support	0.0	0.0	5.1	377.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Before income tax	151.9	64.0	50.5	196.6	64.5	20.1	20.1	139.2	(1.3)	(0.7)	(0.3)
After income tax	110.1	43.7	35.4	122.4	45.9	14.0	17.5	78.9	(0.4)	8.6	(1.4)

NOTE 6 – SEGMENT INFORMATION (CONTINUED)**6(f) Profit from ordinary activities before borrowing costs and significant items/funds employed* (%)**

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	LPG	New Zealand Business	Property	Telecommunications	Other
	Gas Networks	Electricity Networks									
	2003	2003									
Before income tax	15.4	6.1	n/a	22.3	18.7	7.4	20.1	12.6	n/a	n/a	n/a
After income tax	11.1	4.2	n/a	13.9	13.3	5.2	17.6	7.2	n/a	12.3	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	15.4	6.1	n/a	16.4	18.7	7.4	20.1	12.6	n/a	n/a	n/a
After income tax	11.1	4.2	n/a	10.2	13.3	5.2	17.6	7.2	n/a	12.3	n/a

* Weighted where appropriate.

6(h) Geographical segments

	External Revenues		Assets		Acquisition of Non-current Assets	
	2003	2002	2003	2002	2003	2002
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	3,366.2	2,309.5	5,360.5	4,162.5	1,143.7	346.2
New Zealand	1,287.8	806.8	892.8	1,691.0	32.5	62.6
Other	33.8	32.1	141.2	163.0	7.9	10.4
	4,687.8	3,148.4	6,394.5	6,016.5	1,184.1	419.2

There was no material inter-segment revenue.

NOTE 7 – EVENTS OCCURRING AFTER REPORTING DATE AND NOT RECOGNISED IN THE FINANCIAL REPORT

On 3 July 2003 Great Energy Alliance Corporation Pty Ltd, a consortium formed by AGL (35%), Tokyo Power Company Incorporated (35%) and financial investors led by the Commonwealth Bank (30%), entered into a

conditional share sale agreement to purchase the Loy Yang A Power Station and adjacent coal mine in Victoria's Latrobe Valley. On the satisfaction of a number of preconditions in the agreement, the consortium will pay an implied purchase price of approximately \$3.5 billion for Loy Yang Power, with an equity investment by AGL of approximately \$200 million.

Independent Audit Report To the Shareholders 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 2003 as set out on pages 50 to 63, in order to express an opinion on it to the Shareholders 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.

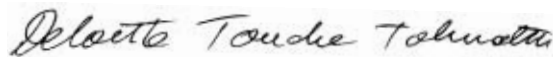
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of The Australian Gas Light Company for the year ended 30 June 2003. Our audit report on the Full Financial Report was signed on 21 August 2003, and was not subject to any qualification.

Our procedures in respect of the audit 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



H McHutchison
Partner

Chartered Accountants

Sydney, 21 August 2003

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