

aglknowhow

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Statements of Financial Performance

For the Year Ended 30 June 2003

	Note	Consolidated		Parent Entity	
		2003 \$m	2002 \$m	2003 \$m	2002 \$m
Revenue from ordinary activities	4	4,687.8	3,148.4	1,551.2	605.5
Expenses from ordinary activities	5	(3,771.2)	(2,522.6)	(388.5)	(382.4)
Equity accounted share of profits of associates and joint venture entities		20.6	70.6	0.0	0.0
Profit from ordinary activities before borrowing costs, depreciation and amortisation		937.2	696.4	1,162.7	223.1
Depreciation and amortisation	6(b)	(249.9)	(219.8)	(1.7)	(1.7)
Borrowing costs	6(b)	(174.6)	(172.2)	(128.5)	(104.7)
Profit from ordinary activities before income tax	6	512.7	304.4	1,032.5	116.7
Income tax attributable to ordinary activities	7	(172.8)	(102.2)	(19.3)	(10.6)
Profit from ordinary activities after income tax		339.9	202.2	1,013.2	106.1
Outside equity interests in profit after income tax		(44.9)	(10.1)	0.0	0.0
Profit after income tax attributable to Shareholders of the Parent Entity	33	295.0	192.1	1,013.2	106.1
(Decrease) increase in foreign currency translation reserve arising on translation of financial reports of foreign controlled operations	32	(5.5)	7.7	0.0	0.0
Total revenue, expense and valuation adjustments attributable to Shareholders of the Parent Entity recognised directly in equity		(5.5)	7.7	0.0	0.0
Total changes in equity other than those resulting from transactions with Shareholders as owners		289.5	199.8	1,013.2	106.1
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		

The notes following the financial statements form part of the financial report.

Statements of Financial Position

As at 30 June 2003

	Note	Consolidated		Parent Entity	
		2003 \$m	2002 \$m	2003 \$m	2002 \$m
Current assets					
Cash	47(a)	56.5	13.1	3.1	1.3
Receivables	9	803.9	702.0	13.1	15.7
Inventories	10	23.0	21.5	0.0	0.0
Property, plant and equipment	11	0.0	10.6	0.0	7.9
Other assets	12	110.2	87.9	1.2	2.9
Total current assets		993.6	835.1	17.4	27.8
Non-current assets					
Receivables	13	35.3	33.9	4,277.6	3,223.7
Equity accounted investments	14	474.2	446.6	132.1	135.3
Other financial assets	15	25.0	243.2	1,017.2	378.6
Property, plant and equipment	16	2,681.7	3,041.7	43.7	44.8
Intangible assets	17	1,650.3	888.9	0.0	0.0
Deferred expenditure	18	352.3	339.7	8.1	7.3
Deferred tax assets	19	120.4	96.3	19.7	18.4
Other assets	20	61.7	91.1	0.0	0.0
Total non-current assets		5,400.9	5,181.4	5,498.4	3,808.1
Total assets		6,394.5	6,016.5	5,515.8	3,835.9
Current liabilities					
Payables	21	445.8	494.7	69.3	70.0
Interest bearing liabilities	22	274.4	518.4	268.7	361.3
Provisions	23	112.6	178.5	5.9	108.5
Current tax liabilities	24	34.7	35.4	16.9	9.1
Unearned revenue	25	15.6	10.6	0.5	0.7
Total current liabilities		883.1	1,237.6	361.3	549.6
Non-current liabilities					
Payables	26	0.0	0.0	51.1	62.7
Interest bearing liabilities	27	1,772.7	1,991.7	1,710.3	1,352.1
Provisions	28	85.4	63.8	12.1	10.1
Deferred tax liabilities	29	490.6	390.2	7.9	7.8
Unearned revenue	30	9.7	4.8	0.6	0.6
Total non-current liabilities		2,358.4	2,450.5	1,782.0	1,433.3
Total liabilities		3,241.5	3,688.1	2,143.3	1,982.9
Net assets		3,153.0	2,328.4	3,372.5	1,853.0
Equity					
Contributed equity	31	2,180.8	382.1	2,180.8	382.1
Reserves	32	(11.5)	1,158.3	1.7	1,165.6
Retained profits	33	727.5	560.6	1,190.0	305.3
Equity attributable to Shareholders of the Parent Entity		2,896.8	2,101.0	3,372.5	1,853.0
Outside equity interests in controlled entities	34	256.2	227.4	0.0	0.0
Total equity		3,153.0	2,328.4	3,372.5	1,853.0

The notes following the financial statements form part of the financial report.

Statements of Cash Flows

For the Year Ended 30 June 2003

	Note	Consolidated		Parent Entity	
		Inflows (outflows)		Inflows (outflows)	
		2003	2002	2003	2002
		\$m	\$m	\$m	\$m
Cash flows from operating activities					
Receipts from customers		4,802.6	3,679.7	275.4	344.9
Payments to suppliers and employees		(4,094.3)	(3,198.9)	(301.2)	(350.1)
Dividends received		66.8	72.5	1,035.3	158.7
Interest received		9.0	13.6	199.3	130.1
Borrowing costs paid		(169.2)	(180.0)	(118.7)	(99.1)
Income taxes paid		(72.7)	(42.6)	(12.1)	(11.2)
Net cash provided by operating activities	47(d)	542.2	344.3	1,078.0	173.3
Cash flows from investing activities					
Payments for property, plant and equipment		(296.0)	(415.4)	(3.6)	(5.9)
Payments for investments		(16.0)	(43.3)	0.0	0.0
Payments for acquisition of controlled entities	47(e)	(24.2)	0.0	0.0	0.0
Payments for additional investments in controlled entities		0.0	(8.6)	(638.6)	0.0
Loans advanced		(4.7)	(3.5)	(3.5)	(0.8)
Proceeds from sale of property, plant and equipment		86.1	248.9	22.8	30.3
Proceeds from disposal of investments		133.2	5.7	3.3	5.1
Proceeds from sale of controlled entities	47(f)	571.6	0.0	0.0	0.0
Proceeds from loan repayments		47.6	4.8	12.3	4.1
Net cash provided by (used in) investing activities		497.6	(211.4)	(607.3)	32.8
Cash flows from financing activities					
Proceeds from issue of shares		634.5	191.4	634.5	191.4
Proceeds from borrowings and hedge receipts on foreign currency borrowings		696.9	1,078.0	703.4	501.0
Repayment of borrowings and hedge payments on foreign currency borrowings		(2,076.0)	(1,299.3)	(473.7)	(660.0)
Loans repaid by controlled entities		0.0	0.0	12.6	435.6
Loans advanced to controlled entities		0.0	0.0	(1,117.9)	(567.8)
Dividends paid		(250.1)	(198.4)	(231.3)	(190.1)
Net cash used in financing activities		(994.7)	(228.3)	(472.4)	(289.9)
Net increase (decrease) in cash held		45.1	(95.4)	(1.7)	(83.8)
Cash at the beginning of the financial year		5.8	100.7	1.0	84.8
Effect of exchange rate changes on the balance of cash held in foreign currencies		(0.5)	0.5	0.0	0.0
Cash at the end of the financial year	47(a)	50.4	5.8	(0.7)	1.0

The notes following the financial statements form part of the financial report.

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 1 – REGULATION

On 11 October 2002 the Parent Entity, previously established as an unincorporated organisation by Act of Council, 8 William IV, 7 September 1837, was converted into a body corporate and registered under the Corporations Act 2001.

NOTE 2 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial report

The financial report is a general purpose financial report and is prepared in accordance with the Corporations Act 2001, applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is prepared on the basis of historical cost and, except where otherwise stated, is not adjusted to take account of either changing money values or current valuations of non-current assets.

The accounting policies applied in the preparation and presentation of the financial report are consistent with those applied in previous years, except as disclosed below.

(b) Principles of consolidation

The consolidated financial report of the consolidated entity, comprises The Australian Gas Light Company (the Parent Entity) and each of its controlled entities listed in Note 41. Adjustments have been made to achieve consistency where entities adopt accounting policies which differ from the consolidated entity. All inter-entity balances and transactions are eliminated on consolidation.

(c) 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 for the consolidated entity and the Parent Entity by the amount of the dividend provision at 30 June 2002 (\$103.2 million).

(d) Receivables

Debtors, loans receivable and other receivables are carried at amounts due or amounts expected to be realised, whichever is the lesser.

Unbilled revenue represents estimated gas, electricity and telecommunication services supplied to consumers but unbilled at the end of the financial year.

Receivables are normally recognised when control of goods and services provided by the consolidated entity passes to the buyers.

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

(e) Inventories

Stocks and materials are valued at the lower of cost and estimated net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in-first-out basis.

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

The conditions of purchase of certain inventories include retention of title clauses. Under such clauses, ownership of the inventories does not fully pass to the consolidated entity until the suppliers have been paid in full.

(f) Investments

Investments in controlled entities are shown at the lower of cost or estimated recoverable amounts.

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

NOTE 2 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interests in partnerships that are not joint ventures are shown at cost plus the consolidated entity's share of the undistributed profits of the partnerships. The consolidated entity's share of the profits of partnerships is recognised as it is earned.

Investments in other entities are shown at cost, and dividend income or distributions from such entities are brought to account as profit from ordinary activities.

(g) Property, plant and equipment

Purchased assets

Items of property, plant and equipment are initially brought to account at cost. For major items, cost includes, where applicable, borrowing and other costs incurred during construction or represents, where applicable, the fair value of assets acquired on the purchase of controlled entities.

Property, plant and equipment, other than freehold land, leasehold improvements and surplus properties held for sale, are depreciated at rates based upon the expected useful lives of the assets. Depreciation rates are reviewed annually and, if necessary, adjusted to reflect the most recent assessments of useful lives.

Leasehold improvements are amortised over the periods of the relevant leases or the expected useful lives of the improvements, whichever are the shorter.

Leased assets

Assets acquired under finance leases are capitalised and amortised over their expected useful lives. Corresponding liabilities are also established and lease payments are allocated between interest expense and lease liabilities with the interest component being charged against profits as incurred.

Payments made under operating leases are expensed as incurred.

(h) Intangibles

Goodwill

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

Licences

The consolidated entity's electricity distribution licence is carried at cost to the consolidated entity, cost representing the fair value of the electricity licence acquired. The licence was granted in perpetuity, has an infinite useful life and, accordingly, is not amortised.

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

(i) Gas entitlements

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

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 2 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Deferred expenditure

Borrowing expenses relating to long-term financing facilities are deferred and amortised over periods not exceeding the term of each borrowing.

Other expenditures which provide benefits beyond the current accounting period are deferred and amortised on a straight line basis over the periods during which the benefits are expected to arise, ranging from two to fifty years. These expenditures principally relate to computer software and gas and electricity industry operations (the connection of new customers to the gas system, the conversion of existing customers' appliances to the use of natural gas and other gas and electricity industry expenditures).

(k) Recoverable amount of non-current assets

The carrying values of non-current assets are reviewed at each reporting date. Where the carrying values of any non-current assets exceed recoverable amount, the non-current assets are written down by directors to their recoverable amounts. Independent valuations, quoted market values or discounted cash flows are used to determine the recoverable amount of non-current assets. Where discounted cash flows are used, the expected net cash flows have been discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rate used in determining the recoverable amount of non-current assets ranged from 6.0% - 15.0% (2002 7.0% - 12.0%) depending on the nature and assessed risk of the assets.

(l) Payables

Creditors and other payables, including accruals not yet billed, are recognised when the consolidated entity becomes obliged to make future payments principally as a result of purchases of goods and services.

(m) Interest bearing liabilities

Borrowings are recognised at amounts due on settlement. Interest on the instruments is recognised as an expense on an accruals basis.

Consumer deposits are recognised on receipt of refundable deposits held as security over future gas and electricity usage by consumers. Interest is accrued at nominal rates over the period the deposits are held.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority or for receivables and payables which are recognised inclusive of GST. Cash flows are included in the statement of cash flows on a gross basis. GST which is recoverable or payable to the taxation authority is classified as operating cash flows.

(o) Taxation

The liability method of tax effect accounting is applied. Under this method, income tax expense is based on profit from ordinary activities adjusted for any permanently non-allowable and non-assessable items.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit from ordinary activities and taxable income, are brought to account at tax rates expected to apply when those timing differences are to reverse, as either a deferred income tax liability or as a future income tax benefit.

Future income tax benefits relating to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits. In bringing to account such losses, it is assumed that no adverse change will occur in income tax legislation, that the Parent Entity and its relevant controlled entities will derive sufficient future assessable income to enable the benefits to be realised and that those entities will continue to comply with the conditions of deductibility imposed by law.

(p) Restoration and rehabilitation costs

Provision is made for the estimated costs of restoration and rehabilitation of sites used in gas and electricity operations.

NOTE 2 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

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

Liabilities for other employee benefits, which are not expected to be settled within twelve months of reporting date, are accrued at nominal amounts calculated on the basis of wage and salary rates expected to apply at the time of settlement. The liabilities ascertained using this method are not materially different from the liabilities determined using the present value method of the estimated future cash flows to be made.

Contributions to employee superannuation plans are expensed as the contributions are paid or become payable. Provision is made in relation to defined benefit funds to the extent that a present obligation exists to fund a shortfall in the net market value of plan assets compared to the estimated members' benefits.

Expenses relating to shares issued pursuant to employee share ownership plans are recognised as incurred. Amounts outstanding on employee share loans are included in receivables.

(r) Revenue recognition

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

Revenue from the provision of services, including revenue from construction contracts, represents consideration received or receivable determined, where appropriate, in accordance with the percentage of completion method, with the stage of completion of each contract determined by reference to the proportion that contract costs for work performed to date bears to the estimated total contract costs.

Customer contributions towards infrastructure are recognised as revenue in the periods in which the infrastructure is completed.

(s) Foreign currencies

Translation of foreign currency transactions

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

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

Translation of foreign currency financial statements

Assets and liabilities of self-sustaining foreign controlled entities are translated into Australian dollars at exchange rates ruling at reporting date. Profits and losses of such controlled entities are translated at average exchange rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Assets and liabilities of integrated foreign controlled entities are translated into Australian dollars at historical rates of exchange or, in the case of monetary items, at exchange rates ruling at reporting date. Profits and losses of such controlled entities are translated at average exchange rates ruling during the year. Exchange differences arising on translation are either brought to account as gains or losses in the periods in which the differences arise or, where such differences are attributable to qualifying assets, included in the costs of acquisition of such assets.

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 2 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedging of foreign currency commitments

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

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

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

(t) Derivative financial instruments

Derivative financial instruments are entered into in order to manage financial risks, as outlined in Note 49.

Gains or losses on derivative financial instruments relating to hedge transactions are either brought to account as gains or losses in the periods in which the differences arise or, brought to account over the periods of the hedge transactions.

Gains or losses on derivative financial instruments which meet the definition of a hedge of specific purchase and sale commitments are deferred until the date of the relevant transaction and included in the measurement of the purchase or sale.

Where a derivative financial instrument which meets the definition of a hedge for hedge accounting purposes is terminated early and the underlying hedged transactions are no longer expected to occur, the gains or losses arising on the early termination of the instrument are recognised in the statement of financial performance as at the date of termination.

Where a derivative financial instrument which meets the definition of a hedge for hedge accounting purposes is terminated early and the underlying transactions are still expected to occur as designated, the gains and losses arising on the early termination of the instrument continue to be deferred and are progressively brought to account over the period during which the hedged transaction is recognised.

Amounts payable and receivable under interest rate swaps, forward rate agreements and interest rate options are recognised in the statement of financial performance on a basis consistent with corresponding fluctuations in interest expense on floating rate debt. The carrying amounts of these financial instruments, which comprise net interest receivables and payables accrued, are included in assets or liabilities respectively.

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

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

(u) Cash flows

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

(v) Comparative figures

Where necessary, information for the previous period has been represented to conform with changes in presentation in the current financial year.

(w) Rounding of amounts

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

NOTE 3 – SEGMENT INFORMATION**BUSINESS SEGMENTS****3(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 Financial Statements

For the Year Ended 30 June 2003

NOTE 3 – SEGMENT INFORMATION (CONTINUED)

3(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
	215.9	212.1	64.3	70.1	3.1	3.1
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
	687.3	476.6	249.9	219.8	102.2	100.6
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	339.9	202.2				

Profit from ordinary activities before borrowing costs includes the following significant items, detailed in Note 6(c), as 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 3 – SEGMENT INFORMATION (CONTINUED)**3(c) Segment assets and liabilities**

	Assets		Liabilities		Equity accounted investments*		Acquisition of non-current assets*	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$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.

NOTE 3 – SEGMENT INFORMATION (CONTINUED)

	Energy Networks		Agility 2003	Energy Sales & Marketing 2003	Energy Investments 2003	Power Generation 2003	LPG 2003	New Zealand business 2003	Property 2003	Telecomm- unications 2003	Other 2003
	Gas	Electricity									
	networks 2003	networks 2003									
3(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)
3(f) Profit from ordinary activities before borrowing costs and significant items/funds employed* (%)											
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
3(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.

3(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.

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 4 – REVENUE FROM ORDINARY ACTIVITIES				
Sales of goods				
Operating activities	3,482.5	2,524.3	273.2	285.3
Other activities	0.0	3.2	0.0	0.4
Provision of services				
Construction contracts	24.0	58.6	0.0	0.0
Other operating activities	365.9	320.1	1.4	0.7
Interest				
Wholly-owned controlled entities	0.0	0.0	195.9	139.9
Associates and joint venture entities	1.2	3.7	0.0	0.0
Other operating activities	7.5	10.6	4.8	4.6
Dividends				
Wholly-owned controlled entities	0.0	0.0	1,022.9	148.5
Other entities	5.0	0.0	0.0	0.0
Associates and joint venture entities	0.0	0.0	12.4	10.2
Share of partnership profits	0.1	0.3	0.0	0.0
Disposals of assets				
Operating activities	765.5	211.1	11.9	5.3
Other activities	21.4	0.0	21.4	0.0
Rents				
Other activities	0.7	0.9	0.1	0.1
Equity performance agreements	0.0	10.5	0.0	10.5
Net foreign currency exchange gain from non-speculative dealing	1.6	0.0	0.8	0.0
Other	12.4	5.1	6.4	0.0
	4,687.8	3,148.4	1,551.2	605.5

All revenue relates to operating activities unless otherwise stated.

NOTE 5 – EXPENSES FROM ORDINARY ACTIVITIES

Cost of goods sold	2,364.2	1,714.5	261.9	285.3
Administrative costs	149.6	134.2	9.4	7.4
Employee benefits	413.3	325.7	31.3	29.2
Losses and write downs relating to investments/controlled entities	17.0	87.0	69.5	60.5
Carrying value of assets/businesses sold	734.4	197.1	16.4	0.0
Other expenses	92.7	64.1	0.0	0.0
	3,771.2	2,522.6	388.5	382.4

NOTE 6 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

Operating profit from ordinary activities includes:

(a) Net (loss)/gain on disposal of assets (excluding significant items - refer to Note 6(c))

Property, plant and equipment	1.4	(2.6)	(0.1)	0.2
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	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 6 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX (CONTINUED)				
(b) Items of expense				
Borrowing costs				
Interest expense				
Wholly-owned controlled entities	0.0	0.0	1.7	2.0
Other entities	162.9	168.9	117.4	96.0
Other borrowing costs	15.6	10.7	9.4	6.7
	178.5	179.6	128.5	104.7
Less amounts capitalised as part of the carrying values of assets*	3.9	7.4	0.0	0.0
	174.6	172.2	128.5	104.7

* Capitalisation rate applicable to funds borrowed generally 6.0%.

Amounts provided for:

Directors' retiring allowances	0.2	0.2	0.2	0.2
Doubtful debts (net of bad debts recovered)	9.1	6.2	69.5	60.5
Employee benefits	43.8	27.0	3.7	7.8
Environmental rehabilitation	5.0	0.0	5.0	0.0
Interest rate swaps	4.0	0.0	0.0	0.0
Other	8.4	0.4	0.0	0.0

Amounts written off in respect of:

Intangibles	0.0	24.5	0.0	0.0
Plant and equipment scrapped	2.0	1.9	0.2	0.0
Deferred expenditure	0.0	19.4	0.0	0.0

Amortisation of:

Deferred expenditure	39.0	26.1	0.2	0.2
Gas entitlements	52.4	52.6	0.0	0.0
Intangibles	35.6	15.7	0.0	0.0

Depreciation of:

Buildings				
Freehold	0.2	0.5	0.0	0.0
Leasehold	2.7	1.4	1.0	0.7
Plant and equipment				
Purchased assets	120.0	123.5	0.5	0.8

Net decrements arising on write down of:

Inventories	0.9	0.0	0.0	0.0
Investments	17.0	0.0	0.0	0.0
Receivables	0.0	1.9	0.0	0.0

Rental expense on operating leases	19.5	15.1	1.6	0.5
Net foreign currency exchange loss from non-speculative dealing	0.0	0.4	0.0	10.1
Research and development costs	0.2	0.1	0.0	0.0

Revision of accounting estimates

During the year 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.

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 6 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX (CONTINUED)				
(c) Significant items				
Net gain on disposal of NGC generation assets (Income tax expense applicable \$2.5 million)	63.7	0.0	0.0	0.0
Loss on sale of TrustPower investment (Income tax benefit applicable \$nil)	(4.0)	0.0	0.0	0.0
Equity accounted losses/write down relating to COMindico* (Income tax benefit applicable \$nil (Parent Entity \$nil))	(52.5)	0.0	(52.5)	0.0
Profit on sale of surplus property held for sale (Income tax expense applicable \$0.3 million (Parent Entity \$0.3 million))	13.5	0.0	13.5	0.0
Provision for property rehabilitation obligations (Income tax benefit applicable \$1.5 million (Parent Entity \$1.5 million))	(5.0)	0.0	(5.0)	0.0
Write-off relating to TransACT (Income tax benefit applicable \$nil (Parent Entity \$nil))	(17.0)	0.0	(17.0)	0.0
Losses and write downs relating to NGC (Income tax benefit applicable \$14.4 million)	0.0	(33.2)	0.0	0.0
Losses and write downs relating to Dingo Blue (Income tax expense applicable \$0.3 million (Parent Entity \$nil))	0.0	(42.1)	0.0	(60.5)
Realised gain on equity performance agreements (Income tax expense applicable \$3.1 million (Parent Entity \$3.1 million))	0.0	10.5	0.0	10.5
Redundancy costs incurred to restructure AGL's business (Income tax benefit applicable \$3.2 million (Parent Entity \$1.6 million))	0.0	(10.7)	0.0	(5.3)
* refer to Note 44 – Interest in associates				
NOTE 7 – INCOME TAX EXPENSE				
Prima facie income tax expense on profit from ordinary activities	(153.8)	(91.3)	(309.8)	(35.0)
Tax effect of permanent differences				
Non-allowable expenditure	(31.4)	(20.7)	(37.5)	(18.6)
Non-assessable revenue	0.9	8.1	1.9	0.0
Rebateable/non-assessable dividends	0.0	0.0	321.0	44.5
Non-rebateable/assessable dividends	(14.0)	(7.8)	0.0	0.0
Equity accounted (losses)/profits of associates and joint venture entities	(7.2)	8.1	0.0	0.0
Development allowance	0.0	1.3	0.0	0.0
Profits on disposals of assets	23.6	0.2	4.5	0.0
Other	(0.1)	(3.2)	2.2	0.0
Recognition of tax losses not previously brought to account	6.9	4.2	0.0	0.0
Reversal of tax losses previously recognised now written off	0.0	(1.2)	0.0	0.0
Income tax over/(under) provided in prior years	2.3	0.1	(1.6)	(1.5)
Income tax attributable to ordinary activities	(172.8)	(102.2)	(19.3)	(10.6)

	Consolidated		Parent Entity	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
NOTE 8 – DIVIDENDS				
<i>Recognised amounts</i>				
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	70.3	70.6
Unfranked amount (10 cents per share (2002 – 6 cents per share))	43.9	22.3	43.9	22.3
Total amount (26 cents per share (2002 – 25 cents per share))	114.2	92.9	114.2	92.9
Final dividend paid 16 October 2002 (2002 – final dividend provided)				
Franked (16 cents per share (2002 – 16 cents per share))	69.4	61.2	69.4	61.2
Unfranked (11 cents per share (2002 – 11 cents per share))	47.7	42.0	47.7	42.0
Total amount (27 cents per share (2002 – 27 cents per share))	117.1	103.2	117.1	103.2
	231.3	196.1	231.3	196.1

Unrecognised Amounts

Proposed final dividend to be paid 26 September 2003*

Franked 18 cents per share	81.0	0.0	81.0	0.0
Unfranked 11 cents per share	49.5	0.0	49.5	0.0
Total 29 cents per share	130.5	0.0	130.5	0.0

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

Franking credits available for franking dividends in the subsequent financial year on a tax paid basis (after allowing for tax payable and franking credits attached to dividends proposed in respect of the current financial year).

	0.0	0.0	0.0	0.0
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Foreign dividend account credits attached to dividends for the year	18.0	19.1	18.0	19.1
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* 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 final dividend was not declared prior to 30 June 2003.

NOTE 9 – RECEIVABLES (CURRENT)

Debtors	417.6	396.3	9.3	12.4
Less provision for doubtful debts	26.4	20.6	0.0	0.0
	391.2	375.7	9.3	12.4
Unbilled revenue	375.2	236.9	0.0	0.0
Loans receivable (secured)	3.1	13.9	3.0	2.8
Loans to directors engaged in full time employment within the consolidated entity (secured)	0.8 ⁺	0.5 [*]	0.8 ⁺	0.5 [*]
Amounts owing by:				
Associates and joint venture entities	33.6	75.0	0.0	0.0
	803.9	702.0	13.1	15.7

⁺ To nearest thousand dollars, \$835,000

^{*} To nearest thousand dollars, \$525,000

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 9 – RECEIVABLES (CURRENT) (CONTINUED)

Significant terms and conditions

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

Unbilled gas and electricity revenue is not collectable until such time as consumers' meters are read and bills rendered.

Loans receivable (secured) comprise employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The loans are non-interest bearing and the current portions of the loans are repayable no later than 30 June 2004.

Loans to directors, including directors of controlled entities, comprise employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The loans are non-interest bearing and the current portions of the loans are repayable no later than 30 June 2004.

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

Credit risk

The consolidated entity does not have a material exposure to any individual debtor or any group of debtors.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 10 – INVENTORIES (CURRENT)				
Stocks and materials				
Raw materials and stores – at cost	18.2	9.9	0.0	0.0
Work in progress – at cost	0.4	4.5	0.0	0.0
Finished goods – at cost	4.9	7.4	0.0	0.0
Less provision to reduce carrying values to net realisable values	0.5	0.3	0.0	0.0
	4.4	7.1	0.0	0.0
	23.0	21.5	0.0	0.0
Aggregate carrying amount of inventories, including non-current inventories	23.0	21.5	0.0	0.0
NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (CURRENT)				
Surplus properties held for sale – freehold at cost	0.0	10.6	0.0	7.9
NOTE 12 – OTHER ASSETS (CURRENT)				
Prepayments	87.0	37.2	1.2	2.9
Gas entitlements	23.2	50.7	0.0	0.0
	110.2	87.9	1.2	2.9

	Consolidated		Parent Entity	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
NOTE 13 – RECEIVABLES (NON-CURRENT)				
Debtors	14.0	12.8	10.4	7.0
Loans receivable (unsecured)	1.8	0.9	0.0	0.0
Loans receivable (secured)				
At recoverable amount ⁽¹⁾	4.1	4.1	0.0	0.0
At cost	7.9	9.2	7.9	9.2
	12.0	13.3	7.9	9.2
Loans to directors engaged in full time employment within the consolidated entity (secured)	7.5 ⁺	6.9 [*]	7.5 ⁺	6.9 [*]
Amounts owing by:				
Wholly-owned controlled entities	0.0	0.0	4,395.4	3,277.5
Partly-owned controlled entities	0.0	0.0	1.0	4.6
	0.0	0.0	4,396.4	3,282.1
Less provision to reduce carrying value to net realisable value	0.0	0.0	144.6	81.5
	0.0	0.0	4,251.8	3,200.6
	35.3	33.9	4,277.6	3,223.7

⁺ To nearest thousand dollars, \$7,452,000

^{*} To nearest thousand dollars, \$6,918,000

(1) A loan receivable (secured) was written down to recoverable amount by directors on 30 June 1993.

Significant terms and conditions

Loans receivable (secured) comprise a property related loan which is secured by a bank guarantee and employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The property related loan is non-interest bearing and is repayable no later than November 2004. The share plan loans are non-interest bearing and are repayable no later than November 2012.

Loans to directors, including directors of controlled entities, comprise employee share plan loans which are secured by first mortgages over shares of the Parent Entity. The loans are non-interest bearing and are repayable no later than November 2012.

Credit risk

The consolidated entity does not have a material exposure to any individual debtor or any group of debtors.

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 14 – EQUITY ACCOUNTED INVESTMENTS				
Associates – quoted on stock exchange (Note 44)				
At equity accounted carrying amount (Parent Entity at cost)	37.0	36.3	132.1	135.3
Associates – not quoted on stock exchange (Note 44)				
At equity accounted carrying amounts	21.5	2.0	0.0	0.0
Joint venture entities – not quoted on stock exchange (Note 43)				
At equity accounted carrying amounts	415.7	408.3	0.0	0.0
	474.2	446.6	132.1	135.3

NOTE 15 – OTHER FINANCIAL ASSETS

Controlled entities – not quoted on stock exchange				
At recoverable amount ⁽¹⁾	0.0	0.0	11.5	11.5
At cost ⁽²⁾	0.0	0.0	1,005.7	367.1
	0.0	0.0	1,017.2	378.6
Interest in other entities				
Quoted on stock exchange – at cost ⁽³⁾	0.0	133.3	0.0	0.0
Not quoted on stock exchange – at cost	25.0	98.0	0.0	0.0
	25.0	231.3	0.0	0.0
Interest in partnership – at cost plus share of undistributed profits ⁽⁴⁾	0.0	11.9	0.0	0.0
	25.0	243.2	1,017.2	378.6

(1) Shares in a controlled entity not quoted on a stock exchange were written down to recoverable amount by directors on 30 June 1994.

(2) Shares in other controlled entities not quoted on a stock exchange, previously revalued to fair value (\$137.6 million) by directors in 1986, have been deemed to be carried forward at cost as from 1 July 2000 under accounting standard AASB 1041.

(3) The consolidated entity disposed of its investment in TrustPower during the year.

(4) The consolidated entity sold its 15% interest in the Southern Cross Energy partnership during the year.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)

(a) Land and buildings

Freehold				
At cost	39.0	40.4	1.5	1.5
Less provision for depreciation	3.3	3.0	0.0	0.0
	35.7	37.4	1.5	1.5
Leasehold				
At cost	9.6	9.9	4.5	4.6
Less provision for amortisation	6.2	5.3	2.6	2.0
	3.4	4.6	1.9	2.6
	39.1	42.0	3.4	4.1

Valuations

Freehold land and buildings were valued at \$47.5 million at 30 June 2003 (Parent Entity \$4.1 million). These valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs. The carrying values of the properties were not restated at 30 June 2003.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT) (CONTINUED)				
(b) Surplus properties held for sale				
Freehold				
At cost	39.9	39.5	35.8	35.5
Less provision for depreciation	0.3	0.3	0.0	0.0
	39.6	39.2	35.8	35.5

Valuations

The properties were valued at \$77.5 million at 30 June 2003 (Parent Entity \$73.9 million). These valuations were determined by directors after receipt of independent valuations from licensed real estate valuers and after allowing for site rehabilitation costs (\$50.0 million of rehabilitation costs in respect of a former gasworks site have been offset by the

utilisation of part of the former gas customers' reserve account). The carrying values of the properties were not restated at 30 June 2003.

Capital gains tax payable if the properties had been sold at 30 June 2003 for amounts equivalent to their valuations at that date would be \$20.1 million (2002 \$20.4 million). At 30 June 2003 no allowance has been made for this capital gains tax.

(c) Plant and equipment

At recoverable amount ⁽¹⁾	0.0	5.4	0.0	0.0
Less provision for depreciation	0.0	0.2	0.0	0.0
	0.0	5.2	0.0	0.0
At cost ⁽²⁾	3,405.1	3,732.3	9.0	9.3
Plant and equipment under finance lease	2.3	0.0	0.0	0.0
Less provision for depreciation	804.4	777.0	4.5	4.1
	2,603.0	2,955.3	4.5	5.2
	2,603.0	2,960.5	4.5	5.2

(1) Certain power generation plant and equipment was written down to recoverable amount by directors on 30 June 2001.

(2) Certain items of plant and equipment, previously revalued to fair value (\$123.1 million) by directors pursuant to the restructuring of the NSW gas industry in 1986, have been deemed to be carried forward at cost as from 1 July 2000 under accounting standard AASB 1041.

	2,681.7	3,041.7	43.7	44.8
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Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT) (CONTINUED)

Non-current assets pledged as security

Refer to Notes 22 and 27 for details of non-current assets pledged as security.

Depreciation methods applicable to each class of assets

Land and surplus properties held for sale are not depreciated.

Buildings and other plant and equipment are depreciated on a straight line basis.

Depreciation rates applicable to each class of assets

Buildings component of land and buildings:

Freehold: 2% pa.

Leasehold: lesser of lease period or 2% pa.

Plant and equipment:

Purchased assets: 2% – 33 1/3% pa.

Capitalised leased assets: 2% – 20% pa.

	Freehold land & buildings \$m	Leasehold land & buildings \$m	Surplus property held for sale \$m	Plant & equipment \$m	Total \$m
Reconciliations					
Reconciliations of the carrying amounts of each class of non-current property, plant and equipment at the beginning and end of the reporting period:					
Consolidated – 2003					
Balance at beginning of year	37.4	4.6	39.2	2,960.5	3,041.7
Additions	6.6	1.5	0.4	215.3	223.8
Disposals	(2.0)			(469.4)	(471.4)
Depreciation	(0.2)	(2.7)		(120.0)	(122.9)
Foreign currency exchange differences				10.5	10.5
Reclassification	(6.1)			6.1	0.0
Balance at the end of year	35.7	3.4	39.6	2,603.0	2,681.7
Parent Entity – 2003					
Balance at beginning of year	1.5	2.6	35.5	5.2	44.8
Additions		0.3	0.3		0.6
Disposals				(0.2)	(0.2)
Depreciation		(1.0)		(0.5)	(1.5)
Balance at the end of year	1.5	1.9	35.8	4.5	43.7

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 17 – INTANGIBLE ASSETS				
Goodwill				
At cost	103.2	202.0	0.0	0.0
Less provision for amortisation	25.9	30.6	0.0	0.0
	77.3	171.4	0.0	0.0
Licences				
At cost	1,613.7	730.1	0.0	0.0
Less provision for amortisation	40.7	12.6	0.0	0.0
	1,573.0	717.5	0.0	0.0
	1,650.3	888.9	0.0	0.0
NOTE 18 – DEFERRED EXPENDITURE				
Gas industry expenses – at cost				
Customer connections	267.0	257.1	0.0	0.0
Natural gas conversion	72.1	71.6	0.0	0.0
Other	15.2	16.7	0.0	0.0
	354.3	345.4	0.0	0.0
Less provision for amortisation	135.0	125.9	0.0	0.0
	219.3	219.5	0.0	0.0
Other expenses – at cost				
Borrowings	18.8	12.9	15.7	12.9
Computer software	205.0	157.6	1.3	1.2
Other	4.9	15.9	0.3	0.4
	228.7	186.4	17.3	14.5
Less provision for amortisation	95.7	66.2	9.2	7.2
	133.0	120.2	8.1	7.3
	352.3	339.7	8.1	7.3
NOTE 19 – DEFERRED TAX ASSETS				
Future income tax benefits*	120.4	96.3	19.7	18.4
* Includes future income tax benefits attributable to tax losses carried forward as an asset.	3.4	29.1	2.3	2.3
Future income tax benefits, attributable to tax losses not brought to account, which will only be realised if the conditions for deductibility set out in Note 2(o) apply.	2.3	14.6	0.0	0.0

Tax consolidation

Based on a detailed analysis of the advantages and disadvantages of entering the 'Tax Consolidation' regime, the Parent Entity and its wholly – owned Australian subsidiaries have decided not to implement the tax consolidation legislation. In making this decision the consolidated entity has considered the effect of

the mandatory requirements of the tax consolidation legislation on the carrying amounts of its deferred tax assets as at 30 June 2003. There has been no material impact on the consolidated assets, liabilities or results.

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 20 – OTHER ASSETS (NON-CURRENT)				
Gas entitlements – at cost	172.8	170.8	0.0	0.0
Less provision for amortisation	118.6	89.1	0.0	0.0
	54.2	81.7	0.0	0.0
Sundry gas and electricity assets	7.5	9.4	0.0	0.0
	61.7	91.1	0.0	0.0
NOTE 21 – PAYABLES (CURRENT)				
Creditors	431.1	491.5	69.3	70.0
Amounts owing to associates and joint venture entities	14.7	3.2	0.0	0.0
	445.8	494.7	69.3	70.0

Significant terms and conditions

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

NOTE 22 – INTEREST BEARING LIABILITIES (CURRENT)

Secured				
Bank borrowings	0.0	3.0	0.0	0.0
Subject to negative pledge				
Bank borrowings	0.0	100.0	0.0	100.0
Medium term notes	0.0	50.0	0.0	50.0
Senior notes	149.9	0.0	149.9	0.0
Unsecured				
Bank overdrafts	6.1	7.3	3.8	0.3
Bank borrowings	1.7	3.2	0.0	0.0
Capital convertible notes	0.0	35.2	0.0	0.0
Promissory notes	115.0	319.3	115.0	211.0
Lease liabilities (Note 37)	0.3	0.0	0.0	0.0
Consumer deposits and interest	1.4	0.4	0.0	0.0
	274.4	518.4	268.7	361.3

Significant terms and conditions

Bank borrowings (secured) were secured by a floating charge over the assets of a joint venture operation.

Medium term notes were repaid on maturity in July 2002.

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

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

Capital convertible notes consisted of convertible notes issued by a controlled entity. The notes were settled for cash on maturity in July 2002.

Promissory notes are payable on maturity. The maturity dates are between July and September 2003.

NOTE 22 – INTEREST BEARING LIABILITIES (CURRENT) (CONTINUED)

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

by the consolidated entity for periods of either one or two years. The aggregate amount expected to be paid to consumers within twelve months of the reporting date is shown as a current liability, with the balance shown as a non-current liability (refer Note 27).

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 23 – PROVISIONS (CURRENT)				
Dividends	0.0	103.2	0.0	103.2
Employee benefits	38.0	36.8	2.7	5.3
Contract restructuring	11.9	18.3	0.0	0.0
Energy settlements	14.4	0.9	0.0	0.0
Interest rate swaps	4.0	0.0	0.0	0.0
Environmental rehabilitation	3.2	0.0	3.2	0.0
Retail contestability initiatives	1.8	4.9	0.0	0.0
Onerous contracts	29.7	0.0	0.0	0.0
Other	9.6	14.4	0.0	0.0
	112.6	178.5	5.9	108.5

Details of material provisions

- (a) The provision for contract restructuring represents the current portion of the provision recognised in 2000 as a consequence of the renegotiation of the Gas Transportation Deed (GTD). The provision, which was established for the purpose of off-setting the onerous contract provisions of the superseded agreement, is being utilised on a scheduled basis over the term of the GTD.
- (b) The provision for energy settlements relates to the estimated costs to be incurred in relation to electricity market usage reconciliations in the New Zealand energy business. The estimates are dependant on the outcome of reconciliations undertaken by the electricity market operator and certain legal proceedings.
- (c) The provision for interest rate swaps was established to recognise the portion of the mark-to-market position of certain interest rate swap contracts held by a partly-owned controlled entity, which are expected to settle in the next six months.
- (d) The provision for environmental rehabilitation was established to cover an estimate of the consolidated entity's obligations with respect to contaminated gas and electricity properties owned or formerly owned by the Group. The estimate may vary as a result of additional obligations being identified and the full extent of contamination being determined.
- (e) The provision for retail contestability initiative represents the residual of the former gas customers' reserve account made available to partially off-set the costs of implementing full retail contestability in the NSW gas market.
- (f) The provision for onerous contracts represents the current portion of provisions recognised on the acquisition of the Pulse Energy businesses. The provisions, which were established to off-set the onerous contract impacts relating to certain electricity derivative contracts and electricity purchase contracts acquired, are being utilised on the basis of the remaining periods of the onerous contracts.

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 23 – PROVISIONS (CURRENT) (CONTINUED)

	Dividends \$m	Employee benefits \$m	Contract restructuring \$m	Energy settlements \$m	Interest rate swaps \$m	Environmental rehabilitation \$m	Retail contestability initiatives \$m	Onerous contracts \$m	Other \$m	Total \$m
Consolidated - 2003										
Balance at beginning of year	103.2	36.8	18.3	0.9	0.0	0.0	4.9	0.0	14.4	178.5
Adjustment to retained profits on initial application of AASB 1044 (Note 2(c))	(103.2)									(103.2)
Additional provisions recognised	231.3	36.4		2.3	4.0	3.2			6.0	283.2
Provisions utilised	(231.3)	(36.4)	(6.4)				(3.1)	(17.0)	(23.9)	(318.1)
Reclassification from non-current provisions/other		1.3		11.2				25.9		38.4
Foreign currency exchange differences		(0.1)							0.2	0.1
Additional provisions recognised on acquisitions								20.8	12.9	33.7
Balance at the end of year	0.0	38.0	11.9	14.4	4.0	3.2	1.8	29.7	9.6	112.6
Parent Entity - 2003										
Balance at beginning of year	103.2	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	108.5
Adjustment to retained profits on initial application of AASB 1044 (Note 2(c))	(103.2)									(103.2)
Additional provisions recognised	231.3	3.1				3.2				237.6
Provisions utilised	(231.3)	(5.7)								(237.0)
Balance at the end of year	0.0	2.7	0.0	0.0	0.0	3.2	0.0	0.0	0.0	5.9

	Consolidated		Parent Entity	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
NOTE 24 – CURRENT TAX LIABILITIES				
Current tax payable	34.7	35.4	16.9	9.1
NOTE 25 – UNEARNED REVENUE (CURRENT)				
Unearned revenue	15.6	10.6	0.5	0.7
NOTE 26 – PAYABLES (NON-CURRENT)				
Amounts owing to wholly-owned controlled entities	0.0	0.0	51.1	62.7
NOTE 27 – INTEREST BEARING LIABILITIES (NON-CURRENT)				
Secured				
Bank borrowings	0.0	39.2	0.0	0.0
Subject to negative pledge				
Bank borrowings	235.0	531.2	235.0	0.0
Medium term notes	900.0	600.0	900.0	600.0
Senior notes	575.3	752.1	575.3	752.1
Other unsecured				
Bank borrowings	48.7	56.7	0.0	0.0
Lease liabilities (Note 37)	2.0	0.0	0.0	0.0
Consumer deposits and interest	11.7	12.5	0.0	0.0
	1,772.7	1,991.7	1,710.3	1,352.1

Significant terms and conditions

Bank borrowings (secured) were secured by a floating charge over the assets of a joint venture operation.

Bank borrowings (subject to negative pledge) are repayable on the expiration of the facilities. The expiry dates of the facilities are December 2004 and January 2008.

Medium term notes are repayable on maturity in July 2004, October 2007 and September 2009.

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

Bank borrowings (unsecured) relating to a controlled entity are repayable in January 2006.

Consumer deposits and interest relate to security deposits lodged with certain controlled entities of the consolidated entity by gas and electricity consumers. These deposits and accrued interest are normally held by the consolidated entity for periods of either one or two years. Other gas deposits and accrued interest are held until such time as the consumers cease to be customers of the consolidated entity and all outstanding amounts are either paid or deducted from the security deposits.

Assets pledged as security

The carrying value of non-current assets pledged as security are:

Floating charge				
Property, plant and equipment	0.0	54.5	0.0	0.0

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 28 – PROVISIONS (NON-CURRENT)				
Directors' retiring allowances	2.0	1.8	2.0	1.8
Employee benefits	43.0	37.5	8.5	8.2
Contract restructuring	7.7	22.4	0.0	0.0
Environmental rehabilitation	1.6	0.1	1.6	0.1
Onerous contracts	28.4	0.0	0.0	0.0
Other	2.7	2.0	0.0	0.0
	85.4	63.8	12.1	10.1

Details of material provisions

(a) The provision for contract restructuring represents the non-current portion of the provision recognised in 2000 as a consequence of the renegotiation of the Gas Transportation Deed (GTD). The provision, which was established for the purpose of off-setting the onerous contract provisions of the superseded agreement, is being utilised on a scheduled basis over the term of the GTD.

(b) The provision for environmental rehabilitation was established to cover an estimate of the consolidated entity's obligations with respect to contaminated gas and electricity properties owned or formerly owned

by the Group. The estimate may vary as a result of additional obligations being identified and the full extent of contamination being determined.

(c) The provision for onerous contracts represents the non-current portion of provisions recognised on the acquisition of the Pulse Energy businesses. The provisions, which were established to off-set the onerous contract impacts relating to certain electricity derivative contracts and electricity purchase contracts acquired, are being utilised on the basis of the remaining periods of the onerous contracts.

	Directors' retiring allowances \$m	Employee benefits \$m	Contract restructuring \$m	Environmental rehabilitation \$m	Onerous contracts \$m	Other \$m	Total \$m
Consolidated – 2003							
Balance at beginning of year	1.8	37.5	22.4	0.1	0.0	2.0	63.8
Additional provisions recognised	0.2	7.4		1.8	0.1		9.5
Provisions utilised		(0.6)	(14.7)	(0.3)			(15.6)
Reclassification to current provisions		(1.3)			(25.9)		(27.2)
Additional provisions recognised on acquisitions					54.2	0.7	54.9
Balance at the end of year	2.0	43.0	7.7	1.6	28.4	2.7	85.4
Parent Entity – 2003							
Balance at beginning of year	1.8	8.2	0.0	0.1	0.0	0.0	10.1
Additional provisions recognised	0.2	0.6		1.8			2.6
Provisions utilised		(0.3)		(0.3)			(0.6)
Balance at the end of year	2.0	8.5	0.0	1.6	0.0	0.0	12.1

	Consolidated		Parent Entity	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
NOTE 29 – DEFERRED TAX LIABILITIES (NON-CURRENT)				
Deferred income tax	490.6	390.2	7.9	7.8
NOTE 30 – UNEARNED REVENUE (NON-CURRENT)				
Unearned revenue	9.7	4.8	0.6	0.6
NOTE 31 – CONTRIBUTED EQUITY				
450,153,640 (2002 - 382,155,310) fully paid ordinary shares	2,180.8	382.1	2,180.8	382.1
<i>Movements in contributed equity</i>				
Balance at beginning of year	382.1	359.7	382.1	359.7
Share issues	218.8	22.4	218.8	22.4
Transfer from reserves	1,579.9	0.0	1,579.9	0.0
Balance at the end of year	2,180.8	382.1	2,180.8	382.1

During the year the Parent Entity issued:

- (i) 41,081,082 shares at \$9.25 per share by way of Institutional Placement.
- (ii) 10,291,520 shares at \$9.25 per share pursuant to the AGL Share Purchase Plan.
- (iii) 5,184,767 shares at \$9.52 per share and 4,460,759 shares at \$10.51 per share pursuant to The Australian Gas Light Company Dividend Reinvestment Plan.
- (iv) 6,399,242 shares at \$10.51 per share pursuant to an underwriting agreement in respect of The Australian Gas Light Company Dividend Reinvestment Plan.

(v) 89,500 shares at \$10.52 per share and 276,000 shares at \$9.99 per share pursuant to the AGL Share Loan Plan.

(vi) 215,460 shares at \$10.52 per share pursuant to the AGL Share Reward Plan.

Ordinary shares entitle each Shareholder to the capital and profits of the Company, including dividend payments, in proportion to the number of shares and amounts paid on the shares held.

As a consequence of the Parent Entity being converted on 11 October 2002 into a body corporate and registered under the Corporations Act 2001, the concept of par value of shares no longer applies. As such amounts standing to the credit of the share premium reserve and capital redemption reserve have been transferred to contributed equity.

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 32 – RESERVES				
Asset revaluation	0.0	0.0	1.7	1.7
Foreign currency translation	(11.5)	(6.0)	0.0	0.0
Share premium	0.0	1,163.9	0.0	1,163.9
Capital redemption	0.0	0.4	0.0	0.0
	(11.5)	1,158.3	1.7	1,165.6

Movements in reserves

Asset revaluation

Balance at beginning of year	0.0	0.0	1.7	1.7
Balance at end of year	0.0	0.0	1.7	1.7

The asset revaluation reserve was used to recognise increments and decrements from prior years arising on the revaluation of non-current assets.

Foreign currency translation

Balance at beginning of year	(6.0)	(13.7)	0.0	0.0
Net exchange gain arising on translation of foreign currency net assets	0.3	1.8	0.0	0.0
Net (loss)/gain arising on hedging of foreign currency investments	(5.8)	5.9	0.0	0.0
Balance at end of year	(11.5)	(6.0)	0.0	0.0

Exchange differences arising on the translation of assets and liabilities of self-sustaining foreign controlled entities are taken to the foreign currency translation reserve as outlined in Note 2(s). The movement in the reserve during the year has arisen primarily as a result of the strengthening of the New Zealand currency.

Share premium

Balance at beginning of year	1,163.9	994.9	1,163.9	994.9
Premium arising on the issue of ordinary shares	415.6	169.0	415.6	169.0
Transfer to contributed equity	(1,579.5)	0.0	(1,579.5)	0.0
Balance at end of year	0.0	1,163.9	0.0	1,163.9

Capital redemption

Balance at beginning of year	0.4	0.4	0.0	0.0
Transfer from retained earnings	0.0	0.0	0.4	0.0
Transfer to contributed equity	(0.4)	0.0	(0.4)	0.0
Balance at end of year	0.0	0.4	0.0	0.0

NOTE 33 – RETAINED PROFITS

Balance at beginning of year	560.6	564.6	305.3	395.3
Adjustment to capital redemption reserve	0.0	0.0	(0.4)	0.0
Profit after income tax attributable to Shareholders of the Parent Entity	295.0	192.1	1,013.2	106.1
Dividends paid or provided for	(231.3)	(196.1)	(231.3)	(196.1)
Write-back of prior year dividend provision	103.2	0.0	103.2	0.0
Balance at the end of year	727.5	560.6	1,190.0	305.3

	Consolidated		Parent Entity	
	2003 \$m	2002 \$m	2003 \$m	2002 \$m
NOTE 34 – OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES				
Contributed equity	152.1	152.1	0.0	0.0
Reserves	26.5	23.8	0.0	0.0
Accumulated profits	77.6	51.5	0.0	0.0
	256.2	227.4	0.0	0.0
NOTE 35 – CONSTRUCTION CONTRACTS IN PROGRESS				
Aggregate of contract costs incurred and recognised profits (less recognised losses) to date	28.3	66.2	0.0	0.0
Less aggregate of consideration received and receivable as progress billings (including retentions) and advances received	(32.3)	(65.6)	0.0	0.0
	(4.0)	0.6	0.0	0.0
Amounts due from customers for contract work (Note 9)	1.6	2.5	0.0	0.0
NOTE 36 – CAPITAL COMMITMENTS				
Expenditure contracted for at balance date not reflected in the financial statements				
Capital expenditure in respect of:				
Property, plant and equipment	17.0	69.4	0.0	0.0
Construction projects	3.8	5.4	0.0	0.0
Capital commitments in respect of:				
Joint venture entities	0.0	3.7	0.0	0.0
Other	4.0	0.0	4.0	0.0
	24.8	78.5	4.0	0.0
Payable				
Not later than one year	23.2	71.2	4.0	0.0
Later than one year but not later than five years	1.6	7.3	0.0	0.0
	24.8	78.5	4.0	0.0
NOTE 37 – LEASE COMMITMENTS				
Finance leases				
Estimated lease commitments				
Due within 1 year	0.3	0.0	0.0	0.0
Due between 1 and 5 years	1.5	0.0	0.0	0.0
Due after 5 years	0.8	0.0	0.0	0.0
	2.6	0.0	0.0	0.0
Less future finance charges	0.3	0.0	0.0	0.0
Present value of lease payments	2.3	0.0	0.0	0.0
Less due within 1 year (Note 22)	0.3	0.0	0.0	0.0
Non-current liability (Note 27)	2.0	0.0	0.0	0.0

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

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 37 – LEASE COMMITMENTS (CONTINUED)				
Non-cancellable operating leases				
Aggregate amounts contracted for at balance date not reflected in the financial statements				
Due within 1 year	19.0	18.0	5.0	6.0
Due between 1 and 5 years	39.0	36.9	7.0	12.6
Due after 5 years	4.0	4.2	0.0	0.0
	62.0	59.1	12.0	18.6

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

NOTE 38 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities

Bank guarantees in respect of the consolidated entity	8.6	7.6	131.0	67.1 [#]
Guarantees and warranties in respect of controlled entities	34.0	0.0	86.1	88.5
Guarantees in respect of associated companies	5.0	5.0	5.0	5.0
Guarantees in respect of other entities	12.8	0.0	12.8	0.0
	60.4	12.6	234.9	160.6

[#] Comparative amended to reflect disclosure consistent with 2003

Other contingent liabilities

- (i) Claims and possible claims, indeterminable in amount, have arisen in the course of business against entities in the consolidated entity. Based on legal advice obtained, the directors of the Parent Entity believe that any resultant liability will not materially affect the financial position of the consolidated entity.
- (ii) The Parent Entity has undertaken to provide financial support, as and when required, to certain wholly-owned controlled entities, so as to enable those controlled entities to pay their debts as and when such debts become due and payable.
- (iii) The Parent Entity has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly-owned controlled entities.

(b) Contingent assets

- (i) The Parent Entity is party to an agreement in relation to the disposal of various entities to an associated entity. Under the agreement the parties have agreed that to the extent to which duty payable by the purchaser is otherwise than as estimated under the Share Sale agreement, an adjustment payment would be made. The amount of the potential payment payable by the purchaser has not been recognised at 30 June 2003, as it is contingent on obtaining relevant State and Territorial duty relief and cannot be reliably measured at this stage.
- (ii) A legal claim has been lodged by an entity in the consolidated entity for breach of warranty and misleading and deceptive conduct in relation to the acquisition of a controlled entity. The defendant has lodged a cross-claim for breaches under a contractual agreement. Based on legal advice the company is confident the dispute will be settled in its favour although at this time it is not practical to estimate the amount of the potential settlement.

	Consolidated		Parent Entity	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NOTE 39 – REMUNERATION OF AUDITORS				
Remuneration of the auditor of the Parent Entity for:				
Auditing and reviewing the financial report	955	665	112	120
Other services:				
Due diligence for acquisitions and disposals	256	181	149	0
Tax consulting and compliance review	97	560	97	0
Other audit assurance reviews	202	82	61	0
Retail contestability implementation	25	234	0	0
Other	93	161	50	0
	673	1,218	357	0
Remuneration of related practices of the Parent Entity auditor for other services:				
Valuations	20	0	0	0
IT consulting	0	50	0	0
	20	50	0	0
Remuneration of other auditors of controlled entities for auditing and reviewing the financial report				
	260	298	0	0

NOTE 40 – REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS**Directors' remuneration**

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

The Parent Entity	2,518	1,815	2,518	1,815
Controlled entities*	5,331	3,590	0	0
	7,849	5,405	2,518	1,815

* Excluding executive officers of the Parent Entity who are only directors of wholly-owned controlled entities.

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

\$000	2003	2002		
70 – 80	0	1		
80 – 90	1	3		
90 – 100	2	1		
100 – 110	2	0		
120 – 130	1	1		
200 – 210	0	1		
240 – 250	1	0		
1,060 – 1,070	0	1		
1,680 – 1,690	1	0		
	2003 \$000	2002 \$000	2003 \$000	2002 \$000

Executive officers' remuneration

Aggregate remuneration of Australian based executive officers
whose remuneration is \$100,000 or more:

15,920	12,441 [#]	11,260	7,065 [#]
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Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 40 – REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS (CONTINUED)

Executive officers' remuneration

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

\$000	Consolidated		Parent Entity	
	2003	2002	2003	2002
100 – 110	1	0	0	0
140 – 150	1	0	1	0
160 – 170	0	2	0	0
220 – 230	2	0	1	0
230 – 240	0	2	0	1
240 – 250	0	2	0	0
250 – 260	1	2	0	0
260 – 270	0	1	0	0
270 – 280	1	2	0	0
280 – 290	3	2	1	0
290 – 300	1	3	1	2
300 – 310	3	0	1	0
310 – 320	4	3	1	2
320 – 330	2	0	2	0
330 – 340	2	1	1	1
340 – 350	0	1	0	0
350 – 360	0	1	0	1
380 – 390	1	1	1	1
400 – 410	1	0	0	0
410 – 420	1	0	1	0
420 – 430	1	2	0	1
460 – 470	1	1	1	0
470 – 480	0	1	0	1
500 – 510	2	1	2	1
510 – 520	1	0	0	0
530 – 540	1	0	1	0
540 – 550	0	1	0	0
570 – 580	0	1	1	1
580 – 590	1	0	0	0
630 – 640	1	0	1	0
690 – 700	0	1	0	1
790 – 800	0	1	0	1
880 – 890	1	0	1	0
1,000 – 1,010	1	0	1	0
1,060 – 1,070	0	1	0	1
1,090 – 1,100	1	0	1	0
1,680 – 1,690	1	0	1	0
	36	33 [#]	21	15 [#]

Executive officers' remuneration includes salaries, incentive payments, provision of motor vehicles, superannuation contributions, retirement and termination benefits, other benefits and fringe benefits tax.

For the purpose of disclosure, executive officers are defined as group managers and general managers of the consolidated entity based in Australia. Comparatives have been amended to conform with this definition.

NOTE 41(A) – CONTROLLED ENTITIES

Entity	Country of incorporation or formation	Equity interest held in shares/units of controlled entity	
		2003	2002
		%	%
Agility Communications Pty Limited	Australia	100	100
Agility Management Pty Limited	Australia	100	100
Agility Services Pty Limited	Australia	100	100
Agility Team Build Pty Limited	Australia	100	100
AGL ACT Retail Investments Pty Limited	Australia	100	100
AGL (Cawse) Power Pty Limited	Australia	100	100
AGL Chile Operations SA ^(a)	Chile	100	100
AGL COMindico Pty Limited	Australia	100	100
A.G.L. Consultancy Pty Ltd	Australia	100	100
AGL Corporate Services Pty Limited	Australia	100	100
AGL Electricity Limited	Australia	100	100
AGL Electricity (VIC) Pty Limited	Australia	100	100
AGL Energy Sales & Marketing Limited	Australia	100	100
AGL Energy Services Pty Limited ^(e)	Australia	100	100
AGL Finance Pty Limited	Australia	100	100
AGL Foundation Nominees Pty Limited	Australia	100	100
AGL Gas Companies Pty Limited	Australia	100	100
AGL Gas Company (ACT) Pty Limited ^(e)	Australia	100	100
AGL Gas Networks Limited	Australia	100	100
AGL Gas Trading Pty Limited	Australia	100	100
AGL International ^(a)	Cayman Islands	100	100
AGL Investments Pty Limited	Australia	100	100
AGL NZ Capital Limited ^{(a)(d)}	New Zealand	0	100
AGL NZ Energy Limited ^(a)	New Zealand	100	100
AGL NZ Holdings Limited ^(a)	New Zealand	100	100
AGL NZ Investments Pty Limited	Australia	100	100
AGL NZ Limited ^(a)	New Zealand	100	100
AGL NZ Management Limited ^(a)	New Zealand	100	100
AGL Pipelines Investments Pty Limited	Australia	100	100
AGL Pipelines Investments (QLD) Pty Limited	Australia	100	100
AGL Polska Sp z O O ^(a)	Poland	100	100
AGL Power Corporation (Victoria) Pty Limited (formerly ETSA Power Corporation (Victoria) Pty Ltd)	Australia	100	100

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 41(A) – CONTROLLED ENTITIES (CONTINUED)

Entity	Country of incorporation or formation	Equity interest held in shares/units of controlled entity	
		2003	2002
		%	%
AGL Power Generation Pty Limited	Australia	100	100
AGL Power Generation (Mid West) Pty Limited	Australia	100	100
AGL Power Generation (SA) Pty Limited	Australia	100	100
AGL Power Generation (Victoria) Pty Limited	Australia	100	100
AGL Power Generation (WA) Pty Limited ^(c)	Australia	0	100
AGL Retail Energy Limited	Australia	100	100
AGL Service Businesses Pty Limited	Australia	100	100
AGL South Australia Pty Limited	Australia	100	100
AGL Technology Commerce Pty Limited	Australia	100	100
AGL TransACT Pty Limited	Australia	100	100
AGL Utility Services Pty Limited (formerly Utili-Mode Pty Ltd) ^(b)	Australia	100	0
AGL Victoria Pty Limited (formerly Pulse Energy Pty Ltd) ^(b)	Australia	100	0
AGL WA Gas Investment Pty Limited	Australia	100	100
AGL Wholesale Electricity Pty Limited	Australia	100	100
AGL Wholesale Gas Limited	Australia	100	100
Anloe Holdings Limited ^{(a)(d)}	New Zealand	0	100
Aspen Properties Limited ^{(a)(d)}	New Zealand	0	100
Central Park Ventures Pty Limited ^(d)	Australia	0	100
Cobb Power Limited ^{(a)(c)}	New Zealand	0	100
Crofton Investments Pty Ltd	Australia	100	100
Dingo Blue Pty Limited	Australia	100	100
Dingo Blue Services Pty Limited	Australia	100	100
Dual Fuel Systems Pty Limited	Australia	100	100
EAP Operations Pty Limited	Australia	100	100
EdgeCap Pty Limited ^(b)	Australia	100	0
Empresa de Gas de la V Region SA ^(a)	Chile	100	100
Essential Energy Services Pty Ltd	Australia	100	100
Gaztec Sp z O O	Poland	52	52
Goodacre Development Pty Limited	Australia	100	100
HC Extractions Pty Limited	Australia	100	100
International Oil Proprietary Ltd	Australia	100	100
Inversiones AGL Chile Limitada ^(a)	Chile	100	100
Liquigas Limited ^(a)	New Zealand	60	60

NOTE 41(A) – CONTROLLED ENTITIES (CONTINUED)

Entity	Country of incorporation or formation	Equity interest held in shares/units of controlled entity	
		2003	2002
		%	%
NGC Contracts Limited (formerly Natural Gas Contracts Ltd) ^(a)	New Zealand	100	100
NGC Kapuni Limited (formerly Natural Gas Corporation Energy Limited) ^(a)	New Zealand	100	100
NGC Equities Limited (formerly Natural Gas Corporation Equities Limited) ^(a)	New Zealand	100	100
NGC Finance Limited (formerly Natural Gas Corporation Finance Limited) ^(a)	New Zealand	100	100
NGC Generation Holdings Limited (formerly On Energy Limited) ^(a)	New Zealand	100	100
NGC Holdings Limited (formerly Natural Gas Corporation Holdings Limited) ^(a)	New Zealand	66	66
NGC Limited (formerly Natural Gas Corporation Limited) ^(a)	New Zealand	100	100
NGC Loans Limited (formerly Natural Gas Corporation Loans Limited) ^(a)	New Zealand	100	100
NGC Management Limited (formerly Natural Gas Corporation Management Limited) ^(a)	New Zealand	100	100
NGC Metering Limited (formerly Central Gas Limited) ^(a)	New Zealand	100	100
NGC Nominees Limited (formerly Natural Gas Corporation Nominees Limited) ^(a)	New Zealand	100	100
NGC New Zealand Limited (formerly Natural Gas Corporation New Zealand Limited) ^(a)	New Zealand	100	100
NGC Trading Limited (formerly Natural Gas Trading Limited) ^(a)	New Zealand	100	100
NGC Waikato Limited (formerly Natural Gas Waikato Limited) ^(a)	New Zealand	100	100
Navham Pty Limited	Australia	100	100
NGC Energy Limited (formerly NGC Gas Retail Limited) ^(a)	New Zealand	100	100
NGC Generation Limited ^(a)	New Zealand	100	100
NGC Generation Operations Limited ^(a)	New Zealand	100	100
On Gas Limited ^(a)	New Zealand	100	100
Porta-Gas Pty Limited	Australia	100	100
Radius Electricity Pty Limited ^(c)	Australia	0	100
Radius Gas Pty Limited ^(c)	Australia	0	100
Radius Investment Limited ^(d)	Australia	0	100
Radius Operations Pty Limited	Australia	100	100
Southdown Cogen Power Limited ^{(a)(c)}	New Zealand	0	100
Stratford Power Ltd ^{(a)(c)}	New Zealand	0	100
Tauranga Civic Holdings Limited ^(a)	New Zealand	100	100
Terrace Gardens Properties Pty Limited ^(d)	Australia	0	100
The North Shore Gas Company Pty Limited ^(e)	Australia	100	100
Thorstone Pty Limited	Australia	100	100
Victorian Energy Pty Limited	Australia	100	100

(a) Not audited by Deloitte Touche Tohmatsu (Australia).

(b) Acquired during the 2003 financial year.

(c) Disposed during the 2003 financial year.

(d) Deregistered/liquidated/amalgamated during the 2003 financial year.

(e) Converted from public to proprietary company during the 2003 financial year.

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 41(B) – ACQUISITION OF CONTROLLED ENTITIES

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration paid \$m
Pulse Group (consisting of Pulse Energy Pty Ltd, EdgeCap Pty Limited, Utili-Mode Pty Ltd)	Energy retailing	31 July 2002	100	24.2*

* Net of debt obligations assumed on acquisition. Further details of the acquisition of businesses are disclosed in Note 47(e).

NOTE 41(C) – DISPOSAL OF CONTROLLED ENTITIES

Names of businesses disposed	Principal activity	Date of disposal	Proportion of shares disposed %
Southdown Cogen Power Ltd	Power generation	30 November 2002	100
Cobb Power Ltd	Power generation	3 March 2003	100
Stratford Power Ltd	Power generation	3 March 2003	100

Further details of the disposal of businesses are disclosed in Note 47(f).

NOTE 42 – INTERESTS IN UNINCORPORATED JOINT VENTURE OPERATIONS

Joint venture	Joint venture interest		Principal activity
	2003 %	2002 %	
Kapuni Energy	50	50	Electricity and steam generation - New Zealand
Mid West Energy	50	50	Power generation - Western Australia
Southdown Cogeneration	0	50	Electricity and steam generation - New Zealand

NOTE 42 – INTERESTS IN UNINCORPORATED JOINT VENTURE OPERATIONS (CONTINUED)

The consolidated entity's share of the assets and liabilities of the joint venture operations is included in the statement of financial position under the following classifications:

	Consolidated	
	2003 \$m	2002 \$m
Current assets		
Cash	0.0	2.8
Receivables	0.6	8.0
Other	0.3	0.0
Total current assets	0.9	10.8
Non-current assets		
Property, plant and equipment	22.8	76.2
Total non-current assets	22.8	76.2
Total assets	23.7	87.0
Current liabilities		
Payables	1.2	10.3
Total current liabilities	1.2	10.3
Non-current liabilities		
Other	0.0	39.3
Total non-current liabilities	0.0	39.3
Total liabilities	1.2	49.6
Net investment in joint venture operations	22.5	37.4

The consolidated entity's share of capital expenditure commitments and contingent liabilities of joint venture operations are disclosed in Notes 36 and 38 respectively.

NOTE 43 – INTERESTS IN JOINT VENTURE ENTITIES

Names of joint venture entities	Principal activities of joint venture entities	Consolidated entity's ownership interests in joint venture entities		Consolidated entity's carrying amounts of investments in joint venture entities		Reporting dates of joint venture entities
		2003	2002	2003	2002	
		%	%	\$m	\$m	
Agility Clough Lucas	Construction of gas pipeline	50	50	0.0	0.0	30 June
Agility Diona	Provision of water mains construction services	50	50	0.0	0.0	30 June
Agility Kembla	Provision of sewer mains upgrade	50	0	0.0	0.0	30 June
ActewAGL	Provision of energy and water services	50	50	327.7	331.8	30 June
Auscom Holdings Pty Limited	Distribution and sale of LPG	50	50	88.0	76.5	31 December
				415.7	408.3	

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 43 – INTERESTS IN JOINT VENTURE ENTITIES (CONTINUED)

	Consolidated	
	2003	2002
	\$m	\$m
Consolidated entity's share of assets and liabilities:		
Current assets	115.0	139.6
Non-current assets	536.3	537.2
Current liabilities	(97.6)	(108.2)
Non-current liabilities	(96.0)	(116.1)
Net assets	457.7	452.5
Consolidated entity's share of joint venture entities':		
Revenues from ordinary activities	623.5	518.7
Expenses from ordinary activities	(563.9)	(461.0)
Profits from ordinary activities before tax	59.6	57.7
Income tax expense relating to ordinary activities	(5.1)	(4.9)
Profit after tax	54.5	52.8
<p>The consolidated entity's share of capital expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 36 and 38 respectively.</p>		
Retained profits and reserves of the consolidated entity attributable to joint venture entities:		
At beginning of financial year:		
Retained profits	6.2	10.3
Reserves	0.0	0.0
At end of financial year:		
Retained profits	13.6	6.2
Reserves	0.0	0.0
Movements in the carrying amount of investments in joint venture entities:		
At beginning of financial year	408.3	412.8
Adjustment on joint venture entity becoming a controlled entity	0.0	(0.2)
Dividends received	(49.0)	(59.0)
Share of equity accounted profits	54.5	52.8
Unrealised profits recognised	1.9	1.9
At end of financial year	415.7	408.3

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

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

NOTE 44 – INTERESTS IN ASSOCIATES

Names of associates	Principal activities of associates	Consolidated entity's ownership interests in associates		Consolidated entity's carrying amounts of investments in associates		Reporting dates of associates
		2003	2002	2003	2002	
		%	%	\$m	\$m	
Australian Pipeline Trust	Transmission of natural gas and management of gas pipelines	30.0	30.0	37.0	36.3	30 June
COMindico Holdings Pty Ltd [#]	Telecommunications services	35.9	24.1	19.5	0.0	30 June
Wanganui Gas Limited	Distribution of gas	25.1	25.1	2.0	2.0	30 June
				58.5	38.3	

[#] Equity accounted from 1 July 2002. Equity accounted losses recognised totalling \$52.5 million, consisting of \$23.2 million for the 2003 year, and \$29.3 million relating to prior years.

Summarised assets, liabilities and profits of associates

Names of associates	Assets*		Liabilities*		Profits (losses) after tax*	
	2003	2002	2003	2002	2003	2002
	\$m	\$m	\$m	\$m	\$m	\$m
Australian Pipeline Trust	1,410.7	1,445.9	962.9	978.1	54.6	38.2
COMindico	176.9	196.1	112.3	100.8	(64.7)	(93.6)
Other	20.4	18.3	7.7	7.6	1.3	2.1
	1,608.0	1,660.3	1,082.9	1,086.5	(8.8)	(53.3)

* estimated

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 44 – INTERESTS IN ASSOCIATES (CONTINUED)

	Consolidated	
	2003	2002
	\$m	\$m
<i>Consolidated entity's share of associates':</i>		
Profits (losses) from ordinary activities before tax	(31.3)	24.1
Income tax expense attributable to profits from ordinary activities	(7.5)	(11.3)
Profits (losses) after tax	(38.8)	12.8

The consolidated entity's share of capital expenditure commitments and contingent liabilities of associates are disclosed in Notes 36 and 38 respectively.

Retained profits and reserves of the consolidated entity attributable to associates:

At beginning of financial year:	Retained profits	11.4	5.3
	Reserves	0.7	0.7
At end of financial year:	Retained profits (losses)	(37.1)	11.4
	Reserves	0.7	0.7

Movements in the carrying amount of investments in associates:

At beginning of financial year	38.3	163.3
Adjustment on associate no longer equity accounted	0.0	(133.3)
Adjustment on investment becoming an associate	72.0	0.0
Return of capital received	(3.3)	(5.1)
Dividends received	(12.8)	(13.5)
Movements due to changes in foreign currency exchange rates	0.0	11.0
Share of equity accounted profits (losses)	(38.8)	12.8
Unrealised profits recognised	3.1	3.1
At end of financial year	58.5	38.3

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

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

NOTE 45 – EMPLOYEE BENEFITS

Superannuation plans

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

	Date of last actuarial assessment	Plan assets (a) \$m	Accrued benefits \$m	Net surplus (deficit) \$m	Vested benefits \$m
AGL Superannuation and Benefits Fund ^(b)	30 June 2002	153.5	152.7	0.8	147.1
AGL Executive Superannuation Fund ^(c)	30 June 2000	2.7	2.4	0.3	2.2
Equisuper Fund ^(d)	31 December 2002	48.4	50.3	(1.9)	49.2
Electricity Industry Superannuation Scheme ^(e)	30 June 2002	7.1	13.1	(6.0)	12.9
Natural Gas Corporation Retirement Plan ^(f)	30 June 2001	6.6	6.4	0.2	5.7
		218.3	224.9	(6.6)	217.1

NOTE 45 – EMPLOYEE BENEFITS (CONTINUED)

(a) At net market value.

(b) At 30 June 2003 a provision of \$1.0 million has been recognised to cover the liability in respect of the estimated unfunded employer share of employee retirement benefits of the scheme.

(c) At 30 June 2003 the plan assets were \$2.1 million and the estimated vested benefits were \$2.5 million. At 30 June 2003 a provision of \$0.5 million has been recognised to cover the liability in respect of the estimated unfunded employer share of employee retirement benefits of the scheme.

(d) At 30 June 2003 the plan assets were \$50.8 million and the estimated vested benefits were \$50.9 million. At 30 June 2003 a provision of \$1.6 million has been recognised to cover the liability in respect of the estimated unfunded employer share of employee retirement benefits of the scheme.

(e) The unfunded balance of the scheme is being progressively funded over a five year period through additional company contributions. At 30 June 2003 a provision for \$4.6 million has been recognised to cover the liability in respect of the estimated unfunded employer share of employee retirement benefits of the scheme.

(f) The plan was closed on 31 March 2002, with final distributions made to fund members in April 2003.

Contributions by employer entities in the consolidated entity to defined benefit superannuation plans during the year amounted to \$25.1 million (2002 \$15.0 million).

Share ownership plans

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

(i) All permanent employees of entities in the consolidated entity, subject to certain eligibility requirements, are entitled to participate in the AGL Share Reward Plan. The plan was approved by Shareholders on 21 October 1997. A total of six issues have been made to employees. There is no current invitation for employees to acquire additional shares. The issues of shares pursuant to the plan have been made in the form

of a gift of fully-paid shares in the Parent Entity, with a market value of up to \$1,000, to each eligible employee. The decision to make further offers to eligible employees and the value of those offers will depend on the performance of the consolidated entity measured against a number of indicators.

A total of 861,365 ordinary shares of the Parent Entity have been issued to employees pursuant to the plan between the date of its inception and 30 June 2003, including 215,460 shares issued during the 2003 financial year. The total market value of these 215,460 shares at the issue date was \$2,266,000 and the total amount recoverable from employees for the shares was \$nil.

- (ii) All permanent employees of entities in the consolidated entity nominated from time to time by the directors of the Parent Entity are offered participation in the AGL Share Loan Plan. The plan was approved by Shareholders on 21 October 1997. There is no current invitation for employees to acquire additional shares. The issues of fully-paid shares pursuant to the plan have been made on the basis of:
- an optional 5% discount on current market value;
 - the purchase price financed by way of an interest free limited recourse loan provided by the Parent Entity, repayable out of the proceeds from dividends on the plan shares with any outstanding balance repayable at the expiration of ten years from the issue date; and
 - a restriction on dealing in the shares for a period of three years from the issue date, with the shares being held by the trustee of the plan until the shares are free from restriction or the loan is fully repaid, whichever last occurs.

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For the Year Ended 30 June 2003

NOTE 45 – EMPLOYEE BENEFITS (CONTINUED)

At 30 June 2003 there were 80 participants in the plan involving a total of 1,943,500 ordinary shares of the Parent Entity. A total of 2,384,000 ordinary shares of the Parent Entity have been acquired by employees pursuant to the plan between the date of its inception and 30 June 2003, including 365,500 shares acquired during the 2003 financial year. The total market value of these 365,500 shares at the issue date was \$3,845,000 and the total amount receivable from employees for these shares was \$3,699,000. Outstanding loans to participants at 30 June 2003 amounted to \$17,021,806 (2002 \$16,523,613).

(iii) All permanent employees of entities in the consolidated entity nominated from time to time by the directors of the Parent Entity are offered participation in the AGL Share Purchase Plan. Directors of the Parent Entity may also participate in the plan. The plan, which was approved by Shareholders on 21 October 1997, entitles directors and specified employees to acquire fully-paid ordinary shares in the Parent Entity out of their remuneration entitlements, subject to certain limitations as to the maximum level of remuneration entitlements that may be applied to the purchase of the shares. Other conditions relating to the acquisition of shares pursuant to the plan are:

- shares are acquired at market value on the date of acquisition;
- shares may only be acquired at specified times during a year; and

- there is a restriction on dealing in the shares for a period of up to ten years from the issue date or until the shares are free from restriction, with the holding statements being held by the trustee of the plan until the shares are free from restriction.

At 30 June 2003, there were 149 participants in the plan involving a total of 424,824 ordinary shares of the Parent Entity. There is an ongoing invitation for directors and employees to acquire additional shares. A total of 454,535 ordinary shares of the Parent Entity have been acquired by directors and employees pursuant to the plan between the date of its inception and 30 June 2003, including 79,736 shares acquired during the 2003 financial year. The total market value of these 79,736 shares at the acquisition dates was \$804,074 and the total amount received from directors and employees for these shares was \$804,074.

All remuneration entitlements applied to, or expected to be applied to, the purchase of shares pursuant to the plan are recognised as an expense in the relevant financial year.

(iv) Prior to the 1997/98 financial year, the Parent Entity operated The Australian Gas Light Company Management Share Plan.

Certain senior employees of entities in the consolidated entity were offered participation in The Australian Gas Light Company Management Share Plan. Six issues of shares were made to employees, involving a total of 5,983,000 ordinary shares of the Parent Entity, the last issue being in November 1996. At 30 June 2003 there were 28 participants in the plan involving a total of 927,650 ordinary shares of the Parent Entity. Outstanding loans to participants at 30 June 2003 amounted to \$2,155,706 (2002 \$2,971,589).

	Consolidated		Parent Entity	
	2003	2002	2003	2002
Aggregate employee benefits liability (\$m)	81.0	75.0	11.2	13.4
The aggregate employee benefits liability at reporting date includes amounts for wages and salaries, annual leave, long service leave and other entitlements.				
Number of employees at year end	3,288	2,639	162	155

NOTE 46 – ADDITIONAL RELATED PARTY DISCLOSURES**Transactions with directors/director-related entities**

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

	Consolidated		Parent Entity		Names of Directors
	2003	2002	2003	2002	
	\$000	\$000	\$000	\$000	
Interest-free loans pursuant to the AGL Share Loan Plan and The Australian Gas Light Company Management Share Plan, repayable out of the proceeds from dividends on the shares issued pursuant to the plans					B Armitage, RA Casamento, LJ Fisk, JA Fletcher, M Fraser, M Harper, D Kaye, LN Murphy, and IC Woodward.
Aggregate loans advanced	973	130	973	130	
Aggregate loan repayments received	835	669	835	669	B Armitage, MF Bailey, RA Casamento, LJ Fisk, JA Fletcher, M Fraser, M Harper, S Hattersley, D Kaye, GJW Martin, LN Murphy, and IC Woodward.

(b) Transactions with directors (or director-related entities) of the Parent Entity and its controlled entities within a normal employee or customer relationship, on terms and conditions no more favourable than if the consolidated entity were dealing at arm's length with the directors (or director-related entities) and trivial or domestic in nature:

Reimbursement of out of pocket expenses incurred by directors for the benefit of the consolidated entity.

Sale of energy and appliances to directors and director-related entities.

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

	Ordinary shares of the Parent Entity	
	2003	2002
	000	000
Aggregate number acquired during the year ⁽ⁱ⁾	57.3	60.8
Aggregate number disposed of during the year ⁽ⁱ⁾	0.0	0.0
Aggregate number held as at the end of the year	886.9	829.9

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

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

D C K Allen	Sir Ronald A Brierley	A B Daniels	C J Hewson
M R G Johnson	GJW Martin	M J Phillips	G J Reaney

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 46 – ADDITIONAL RELATED PARTY DISCLOSURES (CONTINUED)

Transactions between the Parent Entity and controlled entities

Sale of natural gas, at cost, to a wholly-owned controlled entity for eventual sale to consumers.

Provision of administrative services, at cost, to controlled entities.

Advance of funds to, and receipt of funds from, wholly-owned controlled entities as interest free and interest bearing inter-entity loans.

The Parent Entity and a controlled entity provided technical and management services totalling \$1.2 million (2002 \$1.1 million) to NGC Limited, an entity controlled by NGC Holdings Limited, on normal commercial terms and conditions.

Transactions with other related entities

		2003 \$m	2002 \$m
Australian Pipeline Trust	A controlled entity has been contracted by the Trust to provide technical and marketing services under a Pipeline Management Agreement on normal commercial terms and conditions.	36.0	29.8
	A controlled entity provided pipeline construction and project consulting services on normal commercial terms and conditions.	13.5	51.2
ActewAGL Joint Venture	A controlled entity sold to the partnership of the ActewAGL joint venture various assets on an arm's length basis.	9.5	0.0
	Controlled entities purchased from the partnership of the ActewAGL joint venture various assets on an arm's length basis.	9.5	0.0
	Controlled entities are contracted to provide management and asset services to the distribution partnership and retail services to the retail partnership on normal commercial terms and conditions.	29.7	24.5
	Controlled entities supplied electricity and gas to the retail partnership on normal commercial terms and conditions.	45.4	28.9
	A controlled entity provided pipeline construction and project consulting services on normal commercial terms and conditions.	0.0	0.2
East Australian Pipeline Limited	A controlled entity was provided with natural gas transportation services by East Australian Pipeline Limited, on arm's length terms and conditions.	75.2	78.0
Wanganui Gas Limited	A controlled entity supplied natural gas to Wanganui Gas Limited on normal terms and conditions.	4.9	2.1

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 47 – CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash	56.5	13.1	3.1	1.3
Bank overdrafts	(6.1)	(7.3)	(3.8)	(0.3)
	50.4	5.8	(0.7)	1.0
(b) Financing facilities				
Credit standby arrangements				
Amounts used	647.0	631.4	647.0	100.0
Amounts unused	1,483.8	1,704.2	1,003.0	1,500.0
	2,130.8	2,335.6	1,650.0	1,600.0
Credit standby arrangements had the following maturity pattern and were able to be drawn down without restriction.				
Not later than 1 year	718.5	1,500.0	500.0	1,600.0
Later than 1 year, not later than 5 years	1,412.3	835.6	1,150.0	0.0
	2,130.8	2,335.6	1,650.0	1,600.0
Other financing arrangements – amounts used	1,799.0	1,866.0	1,744.0	1,720.1
The majority of these facilities may be extended by mutual agreement and all are committed by major banks.				
Other financing arrangements include promissory notes, medium term notes, senior notes, term loans and similar facilities, which are fully drawn and for fixed periods. Two of these facilities are drawn in US dollars.				
(c) Non-cash financing and investing activities				
There were no material non-cash financing or investing activities during the year ended 30 June 2003.				
(d) Reconciliation of net cash provided by operating activities to profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	339.9	202.2	1,013.2	106.1
Equity share of associates' losses (profits)	35.8	(15.9)	0.0	0.0
Equity share of joint venture entities' profits	(56.4)	(54.6)	0.0	0.0
Dividends received from associates	12.8	13.5	0.0	0.0
Dividends received from joint venture entities	49.0	59.0	0.0	0.0
Depreciation, amortisation and diminution in value of assets	269.8	241.1	1.7	1.5
(Decrease) increase in provisions	(41.0)	(32.5)	65.1	63.5
(Profit) loss on sale of property, plant and equipment	(14.9)	2.6	(13.4)	(0.2)
Loss on sale of investments	4.0	0.0	0.0	0.0
Profit on disposal of controlled entities and businesses	(63.7)	0.0	0.0	0.0
Changes in assets and liabilities				
(Increase) decrease in receivables	147.5	0.4	(0.2)	1.5
Decrease in inventories	0.4	2.2	0.0	0.0
Decrease in intangible assets	0.0	24.5	0.0	0.0
(Increase) decrease in other assets	(37.2)	(44.8)	1.7	(0.3)
Increase (decrease) in creditors	(221.7)	(106.0)	3.3	0.2
Increase (decrease) in other liabilities	6.9	(5.6)	0.0	(1.0)
(Increase) decrease in interest receivable accrued	0.7	(0.7)	0.0	0.2
Increase (decrease) in net interest payable accrued/prepaid	1.2	(0.7)	0.0	2.4
Increase (decrease) in income taxes payable	109.1	59.6	6.6	(0.6)
Net cash provided by operating activities	542.2	344.3	1,078.0	173.3

Notes to the Financial Statements

For the Year Ended 30 June 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$m	\$m	\$m	\$m
NOTE 47 – CASH FLOW INFORMATION (CONTINUED)				
(e) Businesses acquired by the consolidated entity (refer Note 41(b))				
Consideration				
Cash	24.2	0.0	0.0	0.0
Fair value of net assets acquired				
Receivables	251.2	0.0	0.0	0.0
Inventories	3.3	0.0	0.0	0.0
Property, plant and equipment	31.9	0.0	0.0	0.0
Intangible assets	881.9	0.0	0.0	0.0
Tax assets	47.7	0.0	0.0	0.0
Other assets	16.4	0.0	0.0	0.0
Payables	(151.5)	0.0	0.0	0.0
Interest bearing liabilities	(931.0)	0.0	0.0	0.0
Tax liabilities	(29.3)	0.0	0.0	0.0
Provisions	(96.4)	0.0	0.0	0.0
Net assets acquired	24.2	0.0	0.0	0.0
Net cash outflow on acquisition				
Cash consideration	24.2	0.0	0.0	0.0
(f) Businesses disposed of by the consolidated entity (refer Note 41(c))				
Consideration				
Cash	580.0	0.0	0.0	0.0
Book value of net assets sold				
Cash	8.4	0.0	0.0	0.0
Receivables	20.3	0.0	0.0	0.0
Other financial assets	12.2	0.0	0.0	0.0
Property, plant and equipment	450.9	0.0	0.0	0.0
Intangible assets	50.6	0.0	0.0	0.0
Tax assets	5.9	0.0	0.0	0.0
Other assets	0.2	0.0	0.0	0.0
Payables	(12.4)	0.0	0.0	0.0
Tax liabilities	(19.8)	0.0	0.0	0.0
Net assets disposed	516.3	0.0	0.0	0.0
Profit on disposal	63.7	0.0	0.0	0.0
	580.0	0.0	0.0	0.0
Net cash inflow on disposal				
Cash consideration	580.0	0.0	0.0	0.0
Less cash balances disposed	8.4	0.0	0.0	0.0
Inflow of cash	571.6	0.0	0.0	0.0

NOTE 48 – ECONOMIC DEPENDENCY

(a) The consolidated entity is dependent to a significant extent upon various consortia of producers for the supply of natural gas from the Cooper Basin in South Australia, the Gippsland field in Bass Strait, the Surat/Bowen basin in Queensland and the Maui gas field in New Zealand. Long term contracts protect the continuity of supply from these producers.

The consolidated entity has an obligation to pay the consortia of producers for a specified minimum quantity of gas each contract year, irrespective of the quantity actually supplied by the producers. The consolidated entity has the right to receive, without additional payment to the producers, a future delivery of gas equivalent to the quantity paid for but not taken in any contract year.

(b) The consolidated entity is dependent to a significant extent on the acquisition of electricity from generating entities and the use of transmission systems. Ongoing contracts are in place both for the purchase of electricity and the use of the transmission systems.

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES**Derivative financial instruments***Objectives and significant terms and conditions*

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

(a) Interest rate risk management

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

The consolidated entity uses interest rate swaps to fix funding costs with the objective of obtaining a more stable and predictable interest expense outcome. Under interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to agreed notional principal amounts. Swap contracts are usually between one and ten years in duration.

The consolidated entity has a policy which allows the fixed/floating rate ratio to be adjusted between certain parameters depending on the perceived direction of interest rates. Swaps may sometimes be terminated or offset to achieve the desired fixed/floating portfolio mix.

Forward rate agreements are generally used by the consolidated entity to offset changes in the rates applying to short term floating rate debt. These agreements are commitments to either purchase or sell designated derivative instruments at a future date for a specified price.

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

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

	Average		Notional	
	interest rates		principal amounts	
	2003	2002	2003	2002
	%	%	\$m	\$m
Less than 1 year	5.5	6.4	686.0	526.6
1 to 5 years	5.0	5.9	2,072.7	1,851.5
Longer than 5 years	4.9	4.9	1,034.2	1,013.3
			3,792.9	3,391.4

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The interest rate contracts in place at the reporting date principally relate to the consolidated entity's Australian dollar and US dollar fixed rate borrowings. These borrowings are the subject of a number of contracts resulting in the aggregate notional principal amount (\$3,792.9 million (2002 \$3,391.4 million)) exceeding the Australian dollar equivalent of the borrowings (\$1,975.2 million (2002 \$2,312.5 million)).

(b) Foreign exchange risk management

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

Hedges of foreign currency transactions

The consolidated entity enters into forward exchange contracts to hedge certain firm transactions denominated in foreign currencies and anticipated but not yet committed payments and/or receipts expected to be denominated in those currencies, such as

purchases of materials, interest payable and dividends receivable. The terms of the contracts do not exceed twelve months. The purpose of the consolidated entity's foreign currency hedging activities is to protect the consolidated entity from the risk that the eventual Australian dollar cash flows will be adversely affected by changes in exchange rates. Like interest rate risk management, the consolidated entity has a policy which allows the extent of foreign exchange hedges to be varied within parameters preset by the Board.

Hedges of foreign currency borrowings

The consolidated entity has borrowings denominated in foreign currencies. It is the consolidated entity's policy to fully hedge the currency exposure on such borrowings by entering into forward foreign exchange swaps.

The settlement dates, amounts to be received and contractual exchange rates of the consolidated entity's outstanding foreign exchange contracts in respect of borrowings at the reporting date are detailed in the following table.

	2003 \$m	2002 \$m
Buy United States dollars		
Less than 6 months, at rates averaging US\$0.6349 (2002 US\$0.5363)	157.5	186.4
4 to 5 years, at rates averaging US\$0.6605 (2002 US\$0.6605)	575.3	575.3
	732.8	761.7

The net deferred loss on hedges of foreign currency borrowings at 30 June 2003 of \$2.1million (2002 \$2.1 million) will be recognised in the statement of financial performance within 6 months of the reporting date.

Hedges of foreign currency investments

The consolidated entity has foreign currency investments of both an equity and debt nature.

It is the consolidated entity's policy to fully hedge the currency exposure on all material foreign investments, unless the investments are of an equity nature and are to be held indefinitely or hedging is impossible or impracticable due to regulatory controls or an inadequate or immature market in the relevant currencies. However, in certain circumstances the Board may vary this policy.

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The settlement dates, amounts to be received and contractual exchange rates of the consolidated entity's outstanding foreign exchange contracts in respect of investments at the reporting date are detailed in the following table.

	2003 \$m	2002 \$m
Sell New Zealand dollars		
Less than 6 months, at rates averaging (2002 NZ\$1.1755)	0.0	109.8
Sell United States dollars		
Less than 6 months, at rates averaging US\$0.6521 (2002 US\$0.5503)	15.7	18.3
	15.7	128.1

The net deferred gain on hedges of foreign currency investments at 30 June 2003 of \$0.1 million (2002 loss of \$0.1 million) will be recognised in the statement of financial performance within 6 months of the reporting date.

There are no unsecured bank borrowings at 30 June 2003 (2002 \$nil) payable in foreign currencies (NZ dollars and US dollars) which have not been hedged.

(c) Electricity purchase risk management

Exposure to fluctuations in wholesale market electricity prices is minimised through the use of various types of hedging contracts.

It is the policy of the consolidated entity to actively manage the exposure arising from its forecast mass-market and contestable load. In doing so, the consolidated entity has entered into various hedging contracts with individual market participants. Any unhedged position exposes the consolidated entity to pool price variation. The consolidated entity's policy is that the exposure and the consequent price risk be managed within prescribed limits. The hedge portfolio consists predominantly of swaps, caps and option contract types.

The remaining terms and face values of the consolidated entity's outstanding electricity hedging contracts at the reporting date are detailed in the following table.

	Face values	
	2003 \$m	2002 \$m
Electricity hedging contracts		
Less than 1 year	1,364.1	807.3
1 to 5 years	2,280.6	2,035.8
Longer than 5 years	147.7	65.2
	3,792.4	2,908.3

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

The net unrecognised loss in respect of electricity hedging contracts at 30 June 2003 was \$657.2 million (2002 \$379.3 million loss). All contracts are due for settlement within 9 years of the reporting date. These contracts are held for the purpose of hedging current contracted commercial and industrial customer load and forecast mass-market customer sales, and as such no ultimate loss is anticipated.

The net unrecognised loss calculated in accordance with the relevant accounting standard has been based on readily available market price estimates, which are usually quoted for small volume contracts. These market price estimates are not necessarily representative of

independent market price valuations for the exotic and/or large volume contracts in AGL's electricity hedge portfolio, for which relevant market price valuations are not readily available.

(d) Credit risk

The consolidated entity is exposed to credit related losses in the event of non-performance by counterparties to derivative instruments. At 30 June 2003, the consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties in respect of derivative instruments. The existence of Master Netting Agreements with a number of counter parties provides additional collateral in respect of credit risk. Amounts receivable by the consolidated entity at the reporting date are detailed in the following table.

	2003 \$m	2002 \$m
Amounts receivable in respect of		
Interest rate contracts	155.9	78.4
Foreign exchange contracts	0.2	76.9
Electricity hedging contracts	50.0	254.8
	206.1	410.1

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)**(e) Liquidity risk**

Liquidity risk relating to the use of derivative instruments arises from possible future adverse changes in market conditions. In such circumstances, the consolidated entity either may be forced to sell derivative positions at values which are below their underlying worth or may be unable to exit the positions at all. Accordingly, the consolidated entity only utilises

highly liquid derivative markets, although illiquidity in certain market conditions cannot be entirely avoided.

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

Net fair values

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

	Note	Carrying amounts		Net fair values	
		2003 \$m	2002 \$m	2003 \$m	2002 \$m
Financial assets					
Not readily traded on organised markets					
Cash (including deposits at call)	–	56.5	13.1	56.5	13.1
Debtors*	9 and 13	405.2	388.6	405.2	388.6
Unbilled revenue	9	375.2	236.9	375.2	236.9
Loans receivable	9 and 13	25.2	35.5	25.2	35.5
Other receivables	9 and 13	33.6	75.0	33.6	75.0
Other financial assets	15	25.0	243.2	25.0	243.2
Favourable foreign exchange contracts	–	0.0	0.0	0.2	76.9
Favourable interest rate contracts	–	0.0	0.0	155.9	78.4
Favourable electricity hedging contracts	–	49.6	12.6	50.0	254.8
		970.3	1,004.9	1,126.8	1,402.4
Financial liabilities					
Not readily traded on organised markets					
Creditors	21	431.1	491.5	431.1	491.5
Other payables	21	14.7	3.2	14.7	3.2
Bank borrowings	22 and 27	285.4	733.3	285.4	733.3
Capital convertible notes	22 and 27	0.0	35.2	0.0	35.2
Bank overdrafts	22	6.1	7.3	6.1	7.3
Promissory notes	22	115.0	319.3	114.6	317.6
Medium term notes	22 and 27	900.0	650.0	936.8	676.9
Senior notes	27	725.2	752.1	814.1	885.6
Other interest bearing liabilities	22 and 27	15.4	12.9	15.4	12.9
Unfavourable interest rate contracts	–	0.0	0.0	46.4	22.3
Unfavourable electricity hedging contracts	–	0.0	0.0	657.6	621.5
		2,492.9	3,004.8	3,322.2	3,807.3
* Includes receivables in respect of favourable foreign exchange contracts		0.2	0.2	0.2	0.2

Notes to the Financial Statements

For the Year Ended 30 June 2003

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Bases for determining net fair values

Cash, debtors, unbilled revenue, creditors, other payables and non-interest bearing loans and other receivables – carrying amounts (cost basis, recoverable amounts or net realisable values) of the assets and liabilities, which approximate net market values.

Interest bearing loans and other receivables and interest bearing borrowings – expected future cash flows discounted by the current interest rates for assets and liabilities with similar risk profiles.

Other financial assets – expected future cash flows discounted by a risk reflective rate.

Interest rate contracts, foreign exchange contracts, electricity hedging contracts and equity performance agreements – amounts receivable or payable in order to realise favourable contracts and settle unfavourable contracts at the reporting date, based on appropriate interest rates or spot rates at that date.

Financial assets with carrying amounts in excess of net fair values have not been written down as it is expected that the carrying amounts will be fully recovered by holding the assets to maturity.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective interest rates on financial instruments at the reporting date are detailed in the following table.

2003	Weighted average effective interest rate %	Floating interest rate \$m	Fixed interest rate maturities			Non-interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	More than 5 years \$m		
Financial assets							
Cash (including deposits at call)	4.7	56.5					56.5
Debtors	–					405.2	405.2
Unbilled revenue	–					375.2	375.2
Loans receivable	8.5		0.1	0.3	1.2	23.6	25.2
Other receivables	–					33.6	33.6
Other financial assets	–					25.0	25.0
Interest rate contracts ^{(a)(b)}	3.9	1,350.2	(149.9)	(903.5)	(296.8)		0.0
		1,406.7	(149.8)	(903.2)	(295.6)	862.6	920.7
Financial liabilities							
Creditors	–					431.1	431.1
Other payables	–					14.7	14.7
Bank borrowings	5.0		1.7	283.7			285.4
Bank overdrafts	8.0	6.1					6.1
Promissory notes	4.8		115.0				115.0
Medium term notes	6.8			625.0	275.0		900.0
Senior notes	6.6		149.9	378.5	196.8		725.2
Other interest bearing liabilities	5.9		1.7	13.1	0.6		15.4
Interest rate contracts ^{(a)(c)}	6.1	(1,992.7)	536.1	1,069.2	387.4		0.0
		(1,986.6)	804.4	2,369.5	859.8	445.8	2,492.9

(a) Notional principal amounts.

(b) Comprises \$1,575.2 million of fixed to floating swaps offset by \$225.0 million of floating to fixed swaps.

(c) Comprises \$1,992.7 million of floating to fixed swaps.

NOTE 49 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

2002	Weighted average effective interest rate %	Floating interest rate \$m	Fixed interest rate maturities			Non- interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	More than 5 years \$m		
Financial assets							
Cash (including deposits at call)	5.0	13.1					13.1
Debtors	–					388.6	388.6
Unbilled revenue	–					236.9	236.9
Loans receivable	6.9	11.1				24.4	35.5
Other receivables	6.6	32.5				42.5	75.0
Other financial assets	–					243.2	243.2
Interest rate contracts ^{(a)(b)}	4.9	537.5	(128.1)	(109.7)	(299.7)		0.0
		594.2	(128.1)	(109.7)	(299.7)	935.6	992.3
Financial liabilities							
Creditors	–					491.5	491.5
Other payables	–					3.2	3.2
Bank borrowings	6.1	531.4	106.2	71.4	24.3		733.3
Bank overdrafts	5.7	7.3					7.3
Promissory notes	5.4	108.3	211.0				319.3
Medium term notes	7.0		50.0	300.0	300.0		650.0
Senior notes	6.5			176.8	575.3		752.1
Other interest bearing liabilities	5.9		0.4	12.5			12.9
Capital convertible notes	9.8		35.2				35.2
Interest rate contracts ^{(a)(c)}	6.6	(1,324.6)	405.0	881.6	38.0		0.0
		(677.6)	807.8	1,442.3	937.6	494.7	3,004.8

(a) Notional principal amounts.

(b) Comprises \$1,302.2 million of fixed to floating swaps offset by \$764.7 million of floating to fixed swaps.

(c) Comprises \$1,324.6 million of floating to fixed swaps.

Maximum credit risk exposure

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

NOTE 50 – 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 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.

Directors' Declaration

For the Year Ended 30 June 2003

The directors of The Australian Gas Light Company declare that the accompanying financial statements and the notes to the financial statements:

- (a) comply with accounting standards; and
- (b) give a true and fair view of the financial position and performance of the Parent Entity and the consolidated entity.

The directors also declare that, in their opinion:

- (a) there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable; and
- (b) the accompanying financial statements and the notes thereto are in accordance with the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



M J Phillips
Chairman



G J W Martin
Director

Sydney, 21 August 2003

Independent Audit Report

To the Shareholders of The Australian Gas Light Company

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both The Australian Gas Light Company (the Company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 1 to 56. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the Shareholders of the Company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and the Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

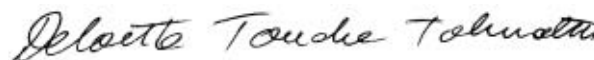
INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of The Australian Gas Light Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



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).

