

Consolidated Statement of Financial Performance

For the Year Ended 30 June 2004

Consolidated	2004 \$m	2003 \$m
Revenues from ordinary activities	4,201.7	4,687.8
Expenses from ordinary activities	(3,348.2)	(3,771.2)
Equity accounted share of profits of associates and joint venture entities	91.8	20.6
Profit from ordinary activities before borrowing costs, depreciation and amortisation	945.3	937.2
Depreciation and amortisation	(244.3)	(249.9)
Profit from ordinary activities before borrowing costs	701.0	687.3
Borrowing costs	(134.0)	(174.6)
Profit from ordinary activities before income tax	567.0	512.7
Income tax attributable to ordinary activities	(187.5)	(172.8)
Profit from ordinary activities after income tax	379.5	339.9
Outside equity interests in operating profit after income tax	(30.0)	(44.9)
Profit after income tax attributable to Shareholders of the Parent Entity	349.5	295.0
Increase (decrease) in foreign currency translation reserve arising on translation of financial reports of foreign controlled entities	7.4	(5.5)
Total revenue, expense and valuation adjustments attributable to Shareholders of the Parent Entity recognised directly in equity	7.4	(5.5)
Total changes in equity other than those resulting from transactions with Shareholders as owners	356.9	289.5
Earnings per share		
Basic (cents)	76.8	67.3
Diluted (cents)	76.8	67.3
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share		
Basic (millions)	454.9	438.5
Diluted (millions)	455.3	438.5

The notes following the Financial Statements form part of the Financial Report

Consolidated Statement of Financial Position

For the Year Ended 30 June 2004

Consolidated	2004 \$m	2003 \$m
Current assets		
Cash	18.0	56.5
Receivables	841.1	803.9
Inventories	23.7	23.0
Property, plant and equipment	21.8	-
Other assets	110.9	110.2
Total current assets	1,015.5	993.6
Non-current assets		
Receivables	130.3	35.3
Equity accounted investments	601.2	474.2
Other financial assets	2.0	25.0
Property, plant and equipment	2,916.6	2,866.6
Intangible assets	1,614.0	1,651.2
Deferred expenditure	147.8	166.5
Deferred tax assets	112.7	120.4
Other assets	34.0	61.7
Total non-current assets	5,558.6	5,400.9
Total assets	6,574.1	6,394.5
Current liabilities		
Payables	456.1	445.8
Interest bearing liabilities	546.1	274.4
Provisions	110.5	112.6
Current tax liabilities	76.6	34.7
Unearned revenue	12.3	15.6
Total current liabilities	1,201.6	883.1
Non-current liabilities		
Interest bearing liabilities	1,643.6	1,772.7
Provisions	48.4	85.4
Deferred tax liabilities	518.5	490.6
Unearned revenue	7.4	9.7
Total non-current liabilities	2,217.9	2,358.4
Total liabilities	3,419.5	3,241.5
Net assets	3,154.6	3,153.0
Equity		
Contributed equity	2,239.7	2,180.8
Reserves	(4.1)	(11.5)
Retained profits	814.2	727.5
Equity attributable to Shareholders of the Parent Entity	3,049.8	2,896.8
Outside equity interests in controlled entities	104.8	256.2
Total equity	3,154.6	3,153.0

The notes following the Financial Statements form part of the Financial Report

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2004

Consolidated	Inflows (Outflows)	
	2004 \$m	2003 \$m
Cash flows from operating activities		
Receipts from customers	5,031.7	4,802.6
Payments to suppliers and employees	(4,227.7)	(4,094.3)
Dividends received	74.8	66.8
Interest received	8.8	9.0
Borrowing costs paid	(132.2)	(169.2)
Income taxes paid	(118.2)	(72.7)
Net cash provided by operating activities	637.2	542.2
Cash flows from investing activities		
Payments for property, plant and equipment	(211.8)	(296.0)
Payments for investments	(120.7)	(16.0)
Payments for intangibles	(3.0)	-
Payments for acquisition of controlled entities	-	(24.2)
Loans advanced	(114.1)	(4.7)
Proceeds from sale of property, plant and equipment	5.6	86.1
Proceeds from disposal of investments	3.2	133.2
Proceeds from Dingo Blue settlement	20.9	-
Proceeds from sale of controlled entities	-	571.6
Proceeds from loan repayments	7.8	47.6
Net cash (used in) provided by investing activities	(412.1)	497.6
Cash flows from financing activities		
Proceeds from issue of shares	58.9	634.5
Share buy-back	(155.8)	-
Proceeds from borrowings and hedge receipts on foreign currency borrowings	751.8	696.9
Repayment of borrowings and hedge payments on foreign currency borrowings	(639.0)	(2,076.0)
Dividends paid	(289.8)	(250.1)
Net cash used in financing activities	(273.9)	(994.7)
Net (decrease) increase in cash held	(48.8)	45.1
Cash at the beginning of the financial year	50.4	5.8
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.2)	(0.5)
Cash at the end of the financial year	1.4	50.4

Financial Commentary

Discussion and Analysis of Financial Statements

Profit Attributable to Shareholders

Profit after tax for the year ended 30 June 2004 of \$349.5 million increased by 18.5% over the 2003 profit after tax of \$295.0 million, resulting in an increase in earnings per share of 14.1% to 76.8 cents per share. Profit after tax (excluding significant items) increased 12.8% to \$361.8 million, reflecting earnings per share (excluding significant items) of 79.5 cents per share, a 8.6% increase over the prior year result.

The improvement in profit reflects a strong performance across the portfolio of energy businesses and completion of the New Zealand business restructure.

Cash Flow

During the year, operating cash flow increased by 17.5% to \$637.2 million, primarily as a result of the improvement in the underlying performance of the business. Cash flow after stay-in-business capital expenditure increased by 16.9% to \$556.8 million and cash flow available for expansion of the business, after stay-in-business capital expenditure and payment of dividends, increased by 20% to \$294.0 million. Improvements in the underlying cash flow position of the Company continue to contribute to a stronger financial position.

Final Dividend

The Directors have declared a final dividend of 31 cents per share for the half year, franked to 23 cents (74.2%), payable on 24 September 2004. The full-year dividend amount paid of 60 cents per share, franked to 45 cents (75.0%) per share, represents an increase of 9.1% over the full-year dividend of 55 cents, franked to 34 cents (61.8%) paid for the prior year.

A Foreign Dividend Account amount of 8 cents has been declared in respect of the full-year dividend.

The record date to determine Shareholders' entitlements to the final dividend is 16 September 2004.

Review of Operations

Profit from ordinary activities (including significant items) before borrowing costs and tax was \$701.0 million arising from the following activities:

- **Gas Networks - contribution \$164.1 million (2003 \$151.9 million) up 8.0%**

AGL's gas network transports gas to 924,600 sites across NSW. For the twelve months to 30 June 2004, Gas Networks contributed \$164.1 million to earnings before borrowing costs and tax which is an increase of \$12.2 million over the prior year. This result is due to higher customer usage during a cooler spring than that of the prior year and the impact of an increase in the distribution tariffs effective from 1 July 2003.

96.4 PJ of gas was transported on the AGL gas distribution network in NSW during the year. While the amount of gas transported reflects a 0.7% decrease against the 97.1 PJ transported in the prior year, this does not have a significant impact on revenues as the lower throughput volumes for the year were mainly attributable to the contract market which is primarily demand based (but which pays primarily a fixed distribution fee). The number of sites increased by 31,700 or 3.6% over the 30 June 2003 number. This increase is primarily attributable to connections for both medium/high density and new houses and has seen the network increase by 200 km in length, bringing the total network length to 23,300 km.

On 23 December 2003, Gas Networks submitted to the Independent Pricing and Regulatory Tribunal (IPART) a revised Access Arrangement and Access Arrangement Information (AAI) setting out the prices, services, terms and conditions, to be effective from January 2005 to June 2010. It is expected that IPART will deliver its draft determination in late 2004.

Return on funds employed before borrowing costs, tax and significant items was 16.5% (2003 15.4%).

Financial Commentary

Discussion and Analysis of Financial Statements

- **Electricity Networks – contribution \$70.1 million (2003 \$64.0 million) up 9.5%**

AGL's electricity network of poles and wires in the north-western suburbs of Melbourne transport electricity to 279,100 sites. For the twelve months to 30 June 2004, Electricity Networks contributed \$70.1 million earnings before borrowing costs and tax which is an increase of \$6.1 million over the previous year. This result is largely due to higher sales revenue of \$11.9 million, caused by higher customer usage during a cooler and longer winter and a warmer summer than that of the prior year with temperatures returning to 'more normal levels' together with the impact of the increases in network tariffs from 1 January 2003 and 1 January 2004.

Electricity delivered to AGL's 279,100 sites on the AGL electricity network in Melbourne was 4,100 GWh, an increase of 2.2% over the prior year. New site growth saw a further 6,700 sites added to the network since 30 June 2003, extending the distribution network by a further 100 km and bringing the total line length to 7,300 km. Electricity Networks continues to invest in the network to provide a reliable and secure supply, including significant investment to expand network capacity for industrial and commercial sites and to develop new residential estates. Significant projects include the reconfiguration of the Heidelberg network to meet the major load increase from the Austin Hospital development, and the establishment of a new feeder at Broadmeadows to meet demand growth from industrial customers.

Funds employed in the Electricity Networks segment decreased by \$168.4 million, reflecting a reallocation of \$165.0 million to the ES&M division in respect of a retail licence.

Return on funds employed before borrowing costs, tax and significant items was 8.0% (2003 6.1%).

- **Agility – contribution \$55.5 million (2003 \$50.5 million) up 9.9%**

Agility manages, operates and develops energy infrastructure assets across Australia. During the year ended 30 June 2004, Agility contributed \$55.5 million profit before borrowing costs and tax, an increase of \$5.0 million compared to the previous year.

During the period, Agility continued to manage its asset management contracts, including those with the Australian Pipeline Trust and the ActewAGL joint venture, as well as managing, operating and developing AGL's gas and electricity distribution and power generation assets. These contracts provide significant recurring revenues for Agility and cost efficiencies for AGL-owned infrastructure assets. Efforts to add diversity to Agility's earnings have seen revenue from third parties increase to 17% of total revenue.

By extending its presence to include Tasmania, Agility now operates in all States and Territories across Australia. Agility's recent Tasmanian contracts include:

- Design and construction of polyethylene gas mains in various locations for Powerco; and
- Several service agreements with Aurora Energy for engineering design, customer-initiated capital works and fuse installation for the electricity distribution network.

Agility also continues to make inroads into the water industry. Further to securing Sydney Water projects (involving the construction of a water pipeline and upgrade of a pumping station, the upgrade and renewal of 17 sewer access chambers and 14 km of water mains), Agility has secured a position on the Water Corporation of Western Australia's Prime Contractor Panel for the provision of engineering, procurement and construction services.

A number of new clients have been added to Agility's portfolio during the year, including Apache Energy, UBE Industries and Telstra, to name a few.

- **Energy Sales & Marketing – contribution \$218.8 million (2003 \$196.6 million) up 11.3%**

AGL's Energy Sales & Marketing (ES&M) division is responsible for the sale and marketing of gas, electricity and energy services to AGL's 1.5 million electricity customers and 1.3 million gas customers across Australia. During the year ended 30 June 2004, ES&M contributed \$218.8 million to profit before borrowing costs and tax compared with \$196.6 million for the previous year.

This improvement was driven by an additional month's contribution from the Pulse Energy business, the cessation of the Victorian Gascor agency agreement, and strong gas sales in Victoria and NSW due to weather and improved margins. In addition, the number of dual fuel customers (customers supplied by AGL with both gas and electricity) increased by 67,700. These gains were partially offset by the increased amortisation of licence fees and higher purchase costs associated with increased electricity volumes. In addition, the result was impacted by additional marketing and customer churn costs reflecting increased levels of competition and net customer losses of 76,000.

Profit before borrowing costs and tax to sales revenue for ES&M was 6.3% for the year to 30 June 2004, unchanged from the prior year.

Funds employed in the ES&M segment increased by \$68.5 million, reflecting a reallocation of \$165.0 million from the Electricity Networks division in respect of a retail licence, offset by a reduction in the value of guarantee support of \$93.7 million.

Return on funds employed (including guarantee support) before borrowing costs, tax and significant items was 11.5% (2003 11.7%). Excluding the value of guarantee support, return on funds employed was 14.0% (2003 15.1%).

- **Energy Investments – contribution \$110.4 million (2003 \$88.4 million) up 24.9%**

AGL's share of equity accounted profits from its 30% investment in the Australian Pipeline Trust totalled \$38.0 million (2003 \$16.4 million). The result for the current year includes two significant items, being a profit upon entry into tax consolidation (AGL share \$27.9 million) and a loss associated with the write-off of the Windimurra pipeline following the closure by Xstrata of its vanadium mine (AGL share \$4.2 million).

AGL's share of equity accounted profits from its 50% investment in the ActewAGL distribution and retail partnerships in the Capital Region totalled \$50.9 million (2003 \$44.4 million). The improvement reflected a colder winter than the prior year as well as successful customer retention and growth in customer numbers.

AGL's 50% interest in Auscom Holdings Pty Limited (Elgas) which distributes and retails LPG in Australia, made a \$13.9 million equity accounted contribution, an increase of \$1.1 million, or 8.6% on the previous year, reflecting improved trading margins.

H C Extractions (AGL 100%) which produces LPG contributed \$1.4 million, a decrease of \$5.9 million on the previous corresponding period. The decrease is primarily due to a deterioration in revenue caused by a detrimental movement in foreign exchange rates and production being impacted by a planned plant shutdown for major maintenance in October and November of 2003.

The wholly-owned investment in GasValpo, a natural gas distribution company in Chile contributed \$6.2 million to earnings before borrowing costs and tax during the year ended 30 June 2004. The decrease from the prior year contribution of \$7.5 million is due primarily to the appreciation in the Australian dollar, with the underlying business showing a marginal improvement in base currency terms.

Return on funds employed before borrowing costs, tax and significant items was 14.6% (2003 15.1%).

Financial Commentary

Discussion and Analysis of Financial Statements

- **Power Generation – contribution \$17.5 million (2003 \$20.1 million) down 12.9%**

AGL's Power Generation segment comprises a 32.5% interest in Loy Yang Power, two peaking power generation plants, Somerton (150 MW capacity) in Victoria and Hallett (180 MW capacity) in South Australia, and a 20 MW plant operating at Cawse in Western Australia, which services a single customer. In addition a 50% interest is held in a 13 MW plant at Windimurra in Western Australia, the book value of which was written down to zero during the year.

The plants at Somerton and Hallett, play an important role in mitigating AGL's potential risk to the volatility of electricity spot prices during periods of peak electricity demand. In addition, the Somerton plant provides network support to both the AGL and TXU electricity networks. The gas-fired peaking generation plants at Somerton and Hallett operate under tolling arrangements through which ES&M pays Power Generation for the rights to operate the plant. All merchant risk transfers to ES&M. All costs form part of ES&M's cost of goods sold in its wholesale electricity purchases. ES&M incorporates the generation capacity of the Somerton and Hallett plants into its electricity hedge portfolio. Agility operates and maintains both plants.

During the year ended 30 June 2004, AGL Power Generation contributed \$17.5 million profit before borrowing costs and tax, a decrease of \$2.6 million from the previous year. The decrease is due to additional maintenance costs at Cawse, the lack of generation activity at the Windimurra power station, as its only customer Xstrata Windimurra suspended operations in February 2003. Subsequent to the closure of the Xstrata mine, the decision to write – off the investment in the power station, resulted in the recognition of a significant item of a loss of \$4.2 million. These items were partially offset by operation for the full year of the Somerton and Hallett power stations following their completion during the prior year and a \$2.7 million equity accounted profit contribution from AGL's investment in Loy Yang Power.

Return on funds employed before borrowing costs, tax and significant items was 6.2% (2003 7.4%).

- **New Zealand – contribution \$129.4 million (2003 \$198.8 million) down 34.9%**

AGL's 66.1% investment in NGC derived a profit (before borrowing costs, tax and outside equity interests) of \$129.4 million for the year to 30 June 2004. This compares with AGL's profit before borrowing costs and interests from its New Zealand Segment of \$198.8 million in the prior year. The 2003 period included contributions from non-continuing businesses, including \$6.0 million from AGL's investment in TrustPower (sold during the 2003 year) and power generation and gas retailing businesses sold by NGC in the intervening period, with the proceeds applied to the elimination of debt. In addition, NGC's gain on sale of the power generation assets gave rise to a significant item in the prior period of \$59.7 million.

In December 2003, NGC successfully completed its capital restructuring, comprising a NZ\$525.0 million capital return (AGL share NZ\$347.0 million), and a NZ\$200.0 million retail bond issue. The resolution of the Maui and indemnity gas issue further contributed to the result, which reflected the benefits of restructuring the portfolio, and a strong underlying business performance.

Return on funds employed before borrowing costs, tax and significant items was 18.4% (2003 11.0%).

- **Property – contribution \$0.5 million (2003 \$7.2 million)**

The prior period's result included a profit of \$13.5 million from the sale of Stage 5 of Breakfast Point, which was partially offset by the recognition of a \$5.0 million provision in order to meet AGL's property rehabilitation obligations in respect of its non-core and previously owned properties.

- **Telecommunications – loss \$33.3 million (2003 loss \$70.2 million)**

During the year AGL wrote off its remaining investments in TransACT and COMindico, resulting in losses of \$25.0 million and \$23.5 million respectively. As part of a capital raising in 2003 by TransACT in which AGL did not participate, AGL agreed to provide a guarantee in support of a \$25.0 million bank facility obtained by TransACT. The guarantee is limited to that facility. As at 30 June 2004 \$14.7 million has been drawn down on this facility. To date there has been no call on this guarantee.

In February 2004, TransACT entered into a management agreement with ActewAGL, whereby ActewAGL will provide engineering, operations, maintenance, sales, marketing, accounting, finance and human resources functions to TransACT. In addition, a gain of \$16.2 million was recorded following the recovery of amounts owing in connection with AGL's previous investment in Dingo Blue.

The value of AGL's investment in Telecommunications was \$nil at 30 June 2004.

- **Unallocated items – expense \$32.0 million (2003 \$20.0 million) up 60%**

Unallocated items of \$32.0 million for the year to 30 June 2004 increased by \$12.0 million. The increase is largely a result of the recognition of costs in relation to the bid for Contact Energy Limited (NZSE: CEN) (\$4 million) and costs in relation to an improvement in information technology systems (\$4 million).

- **Borrowing costs – expense \$134.0 million (2003 expense \$174.6 million) down 23.3%**

Borrowing costs decreased by \$40.6 million to \$134.0 million primarily as a result of lower average outstanding debt during the year ended 30 June 2004. While the net debt position at 30 June 2004 is higher than that of 30 June 2003, the average outstanding indebtedness during 2004 is lower than that in 2003. This position arises primarily as a result of the sale late in the 2003 financial year of a substantial portion of New Zealand assets, the proceeds of which were used to retire debt and the purchase of an interest in Loy Yang Power in April 2004.

- **Tax expense \$187.5 million (2003 expense \$172.8 million) up 8.5%**

The increase in tax expense by \$14.7 million to \$187.5 million during the year is largely attributable to the increased profitability of AGL.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2004

Note 1 – Basis of preparation of Concise Financial Report

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

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

The accounting policies applied in the preparation and presentation of the Concise Financial Report are consistent with those applied in respect of the year ended 30 June 2003 except as disclosed below.

Change in accounting policies

On 1 July 2003 the consolidated entity changed its policy regarding the classification of expenditures relating to the connection of customers to the gas network. Deferred expenditures relating to customer connections amounting to \$196.3 million have been reclassified from deferred expenditure to plant and equipment.

Note 2 – Change in accounting estimates

On 1 July 2003 the retail licence value attributable to the purchase of the Solaris business in Victoria of \$165.0 million was reclassified from the funds employed of the Energy Networks division to the Energy Sales & Marketing division. This treatment is consistent with other acquisitions involving both distribution and retail licences. The change in the estimate of the retail licence has resulted in additional licence amortisation expense of \$6.4 million being charged in the accounts to 30 June 2004.

Note 3 – Rounding of amounts

Unless otherwise specified, amounts in the Concise Financial Report are shown to the nearest tenth of a million dollars in accordance with ASIC Class Order 98/100 issued 10 July 1998. The Parent Entity is an entity to which the Class Order applies.

	2004 \$m	2003 \$m
Note 4 – Revenue		
Sales revenue	4,153.8	3,872.4
Other revenue	47.9	815.4
	4,201.7	4,687.8

Note 5 – Dividends

Recognised amounts

Interim dividend paid 26 March 2004 (2003 – 28 March 2003)		
Franked amount (22 cents per share (2003 – 16 cents per share))	100.4	70.3
Unfranked amount (7 cents per share (2003 – 10 cents per share))	31.9	43.9
Total amount (29 cents per share (2003 – 26 cents per share))	132.3	114.2
Final dividend paid 26 September 2003 (2002 – 16 October 2002)		
Franked amount (18 cents per share (2002 – 16 cents per share))	81.0	69.4
Unfranked amount (11 cents per share (2002 – 11 cents per share))	49.5	47.7
Total amount (29 cents per share (2003 – 27 cents per share))	130.5	117.1
	262.8	231.3

Unrecognised Amounts

Proposed final dividend to be paid 24 September 2004#		
Franked amount 23 cents per share	104.9	
Unfranked amount 8 cents per share	36.5	
Total amount 31 cents per share	141.4	

The final final dividend was not declared on or before 30 June 2004.

Note 6 – Segment information

6(a) Segment revenues

	External Sales Revenues		Other External Revenues		Inter-Segment Revenues		Equity Accounted Share of Net Profits/(Losses)		Total	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Energy Networks										
Gas Networks	45.0	28.3	1.9	6.8	290.1	289.6	-	-	337.0	324.7
Electricity Networks	66.4	54.5	0.3	3.0	115.2	120.5	-	-	181.9	178.0
	111.4	82.8	2.2	9.8	405.3	410.1	-	-	518.9	502.7
Agility	129.6	105.7	3.2	2.3	271.3	270.6	0.2	0.4	404.3	379.0
Energy Sales & Marketing	3,436.8	3,067.3	3.2	1.9	34.1	37.6	(0.2)	-	3,473.9	3,106.8
Energy Investments	50.1	61.5	4.1	7.3	-	-	105.2	72.4	159.4	141.2
Power Generation	8.9	9.0	0.1	8.7	39.0	29.2	2.7	-	50.7	46.9
New Zealand Business	409.7	535.2	7.9	752.3	-	-	(0.2)	0.3	417.4	1,287.8
Property	-	-	0.9	23.2	0.1	0.3	-	-	1.0	23.5
Telecommunications	1.0	4.2	18.4	5.0	-	-	(15.9)	(52.5)	3.5	(43.3)
Segment totals	4,147.5	3,865.7	40.0	810.5	749.8	747.8	91.8	20.6	5,029.1	5,444.6
Unallocated items	6.2	6.7	8.0	4.9	-	1.6	-	-	14.2	13.2
	4,153.7	3,872.4	48.0	815.4	749.8	749.4	91.8	20.6	5,043.3	5,457.8
Less: eliminations	-	-	-	-	(749.8)	(749.4)	-	-	(749.8)	(749.4)
	4,153.7	3,872.4	48.0	815.4	-	-	91.8	20.6	4,293.5	4,708.4

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.

New Zealand Business – investments in New Zealand entities involved in the gas industry.

Property – sale and rental of properties.

Telecommunications – investment in entities involved in the telecommunications industry.

Change in segment accounting policy

For the purpose of presentation, the Chilean gas business is disclosed in the 'Energy Investments' segment (previously reported in the 'Other' segment), and the remainder of the 'Other' segment is now aggregated in 'Unallocated items'.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2004

Note 6 – Segment information (continued)

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

	Segment Results Profits/(Losses)		Depreciation and Amortisation		Other Non-Cash Expenses	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Energy Networks						
Gas Networks	164.1	151.9	40.0	39.5	2.2	2.3
Electricity Networks	70.1	64.0	26.5	24.8	0.4	0.8
	234.2	215.9	66.5	64.3	2.6	3.1
Agility	55.5	50.5	3.2	1.9	15.0	19.1
Energy Sales & Marketing	218.8	196.6	50.8	44.2	34.5	30.6
Energy Investments	110.4	88.4	5.9	5.9	1.2	1.9
Power Generation	17.5	20.1	14.9	5.3	4.5	0.3
New Zealand Business	129.4	198.8	70.5	106.5	15.7	17.0
Property	0.5	7.2	1.1	1.1	0.3	6.1
Telecommunications	(33.3)	(70.2)	-	-	32.6	17.3
Segment totals	733.0	707.3	212.9	229.2	106.4	95.4
Unallocated items	(32.0)	(20.0)	31.4	20.7	19.6	6.8
	701.0	687.3	244.3	249.9	126.0	102.2
Less: borrowing costs	(134.0)	(174.6)				
Profit from ordinary activities before income tax	567.0	512.7				
Income tax attributable to ordinary activities	(187.5)	(172.8)				
Profit from ordinary activities after income tax	379.5	339.9				

Profit from ordinary activities before borrowing costs includes the following significant items, detailed in Note 6(c), as allocated to relevant segments:

- (i) Energy Investments \$23.7 million (2003 \$Nil million)
- (ii) Power Generation \$(4.2) million (2003 \$Nil million)
- (iii) New Zealand Business \$Nil million (2003 \$59.7 million)
- (iv) Property \$Nil million (2003 \$8.5 million)
- (v) Telecommunications \$(32.3) million (2003 \$(69.5) million)

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

	Assets		Liabilities		Equity Accounted Investments*		Acquisition of Non-Current Assets*	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Energy Networks								
Gas Networks	1,219.0	1,191.8	217.5	202.1	-	-	66.4	59.0
Electricity Networks	949.6	1,110.1	76.0	68.0	-	-	32.6	42.2
	2,168.6	2,301.9	293.5	270.1	-	-	99.0	101.2
Agility	67.7	59.6	71.2	61.3	0.2	-	6.8	8.0
Energy Sales & Marketing	2,102.3	1,986.9	553.9	588.4	1.0	-	10.5	935.3
Energy Investments	643.4	598.8	77.3	86.4	484.0	452.7	6.6	8.9
Power Generation	524.2	314.4	21.5	12.1	111.6	-	5.6	62.2
New Zealand Business	864.0	892.8	594.4	169.2	4.4	2.0	55.1	32.5
Property	55.1	61.5	9.1	12.7	-	-	0.2	0.5
Telecommunications	0.2	45.0	2.5	3.4	-	19.5	-	0.3
Segment totals	6,425.5	6,260.9	1,623.4	1,203.6	601.2	474.2	183.8	1,148.9
Unallocated items	148.6	133.6	1,796.1	2,037.9	-	-	31.0	35.2
Consolidated total	6,574.1	6,394.5	3,419.5	3,241.5	601.2	474.2	214.8	1,184.1

* included in Assets total

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2004

Note 6 – Segment information (continued)

6(d) Funds employed

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	New Zealand Business	Property	Tele-communications
	Gas Networks	Electricity Networks							
	2004	2004	2004	2004	2004	2004	2004	2004	2004
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current assets									
Cash	-	-	0.2	4.9	3.6	-	0.4	-	-
Receivables	9.9	11.3	21.6	708.8	9.0	4.2	56.0	9.1	0.2
Inventories	-	-	4.0	9.9	1.6	0.4	7.7	-	-
Property, plant & equipment	-	-	-	-	-	-	-	21.8	-
Other	0.1	0.5	1.1	71.0	-	0.7	34.0	0.5	-
Non-current assets									
Receivables	-	-	-	1.6	0.4	111.9	-	4.5	-
Equity accounted investments	-	-	0.2	1.0	484.0	111.6	4.4	-	-
Other financial assets	-	-	-	-	-	-	2.1	-	-
Property, plant & equipment	1,187.1	512.2	21.2	45.8	118.7	291.9	707.6	17.3	-
Intangible assets	-	406.1	-	1,181.2	18.7	-	8.0	-	-
Deferred expenditure	19.8	19.1	-	25.8	0.6	2.4	2.8	0.1	-
Deferred tax assets	0.7	0.4	12.2	52.3	6.8	1.1	15.6	1.8	-
Other	1.4	-	7.2	-	-	-	25.4	-	-
Total assets	1,219.0	949.6	67.7	2,102.3	643.4	524.2	864.0	55.1	0.2
Current liabilities									
Payables	2.9	5.0	25.0	333.3	4.1	2.8	30.9	1.9	0.5
Provisions	2.1	0.2	14.6	42.9	0.3	-	32.3	3.8	2.0
Current tax liabilities	8.2	-	10.0	19.5	8.6	7.6	10.3	0.2	-
Unearned revenue	1.5	-	2.4	7.5	-	-	-	0.5	-
Non-current liabilities		0.0							
Payables	-	-	-	-	-	-	-	-	-
Provisions	0.2	-	19.0	20.2	-	-	-	0.3	-
Deferred tax liabilities	202.1	70.8	-	109.8	8.5	11.1	107.9	2.1	-
Unearned revenue	0.5	-	-	6.1	-	-	-	0.2	-
Funds employed	1,001.5	873.6	(3.3)	1,563.0	621.9	502.7	682.6	46.1	(2.3)
Guarantee support	-	-	1.4	283.9	-	-	-	-	-

Note 6 – Segment information (continued)

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	New Zealand Business	Property	Telecommunications
	Gas Networks	Electricity Networks							
	2004 \$m	2004 \$m							

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

Before income tax	164.1	70.1	55.5	218.8	86.7	21.7	129.4	0.5	(1.0)
After income tax	114.0	48.1	38.7	141.8	67.5	8.1	83.8	(0.4)	(0.1)

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

Before income tax	16.5	8.0	n/a	14.0	14.6	6.2	18.4	1.1	n/a
After income tax	11.5	5.5	n/a	9.1	11.4	2.3	11.9	n/a	n/a

* Weighted where appropriate.

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

Before income tax	16.5	8.0	n/a	11.5	14.6	6.2	18.4	1.1	n/a
After income tax	11.5	5.5	n/a	7.5	11.4	2.3	11.9	n/a	n/a

* Weighted where appropriate.

6(h) Geographical segments

	External Revenues		Assets		Acquisition of non-current assets	
	2004	2003	2004	2003	2004	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	3,749.3	3,366.2	5,563.0	5,360.5	153.2	1,143.7
New Zealand	417.6	1,287.8	864.0	892.8	55.1	32.5
Other	34.8	33.8	147.1	141.2	6.5	7.9
	4,201.7	4,687.8	6,574.1	6,394.5	214.8	1,184.1

There was no material inter-segment revenue.

Note 7 – Event occurring after reporting date and not recognised in the Financial Report

AGL has announced that it has commenced a process to seek expressions of interest for the sale of its NGC business in New Zealand. This process is expected to take several months.

Independent Audit Report

To the Shareholders of The Australian Gas Light Company

Scope

We have audited the Concise Financial Report of The Australian Gas Light Company for the financial year ended 30 June 2004 as set out on pages 39 to 59, in order to express an opinion on it to the members of the Company. The Concise Financial Report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the Concise Financial Report.


Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of The Australian Gas Light Company for the year ended 30 June 2004. Our audit report on the Full Financial Report was signed on 26 August 2004, and was not subject to any qualification.

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

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

Audit Opinion

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



DELOITTE TOUCHE TOHMATSU



H B McHutchison
Partner

Chartered Accountants

Sydney, 26 August 2004

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