

financials.

The Australian Gas Light Company Full Financial Report 2004



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Statements of Financial Performance

For the year ended 30 June 2004

	Note	Consolidated		Parent Entity	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
Revenues from ordinary activities	4	4,201.7	4,687.8	831.8	1,551.2
Expenses from ordinary activities	5	(3,348.2)	(3,771.2)	(691.9)	(388.5)
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	139.9	1,162.7
Depreciation and amortisation	6(b)	(244.3)	(249.9)	(1.7)	(1.7)
Profit from ordinary activities before borrowing costs		701.0	687.3	138.2	1,161.0
Borrowing costs	6(b)	(134.0)	(174.6)	(117.8)	(128.5)
Profit from ordinary activities before income tax	6	567.0	512.7	20.4	1,032.5
Income tax attributable to ordinary activities	7	(187.5)	(172.8)	(26.8)	(19.3)
Profit (loss) from ordinary activities after income tax		379.5	339.9	(6.4)	1,013.2
Outside equity interests in operating profit after income tax		(30.0)	(44.9)	-	-
Profit (loss) after income tax attributable to Shareholders of the Parent Entity	33	349.5	295.0	(6.4)	1,013.2
Increase (decrease) in foreign currency translation reserve arising on translation of financial reports of foreign controlled entities	32	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	(6.4)	1,013.2
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.

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated		Parent Entity	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
Current assets					
Cash	47(a)	18.0	56.5	2.8	3.1
Receivables	9	841.1	803.9	24.2	13.1
Inventories	10	23.7	23.0	-	-
Property, plant and equipment	11	21.8	-	21.8	-
Other assets	12	110.9	110.2	0.6	1.2
Total current assets		1,015.5	993.6	49.4	17.4
Non-current assets					
Receivables	13	130.3	35.3	3,858.5	4,277.6
Equity accounted investments	14	601.2	474.2	239.3	132.1
Other financial assets	15	2.0	25.0	1,085.2	1,017.2
Property, plant and equipment	16	2,916.6	2,866.6	18.6	43.7
Intangible assets	17	1,614.0	1,651.2	-	-
Deferred expenditure	18	147.8	166.5	9.3	8.1
Deferred tax assets	19	112.7	120.4	16.7	19.7
Other assets	20	34.0	61.7	-	-
Total non-current assets		5,558.6	5,400.9	5,227.6	5,498.4
Total assets		6,574.1	6,394.5	5,277.0	5,515.8
Current liabilities					
Payables	21	456.1	445.8	266.4	69.3
Interest bearing liabilities	22	546.1	274.4	310.0	268.7
Provisions	23	110.5	112.6	10.8	5.9
Current tax liabilities	24	76.6	34.7	17.4	16.9
Unearned revenue	25	12.3	15.6	0.4	0.5
Total current liabilities		1,201.6	883.1	605.0	361.3
Non-current liabilities					
Payables	26	-	-	101.8	51.1
Interest bearing liabilities	27	1,643.6	1,772.7	1,396.2	1,710.3
Provisions	28	48.4	85.4	7.1	12.1
Deferred tax liabilities	29	518.5	490.6	4.5	7.9
Unearned revenue	30	7.4	9.7	0.2	0.6
Total non-current liabilities		2,217.9	2,358.4	1,509.8	1,782.0
Total liabilities		3,419.5	3,241.5	2,114.8	2,143.3
Net assets		3,154.6	3,153.0	3,162.2	3,372.5
Equity					
Contributed equity	31	2,239.7	2,180.8	2,239.7	2,180.8
Reserves	32	(4.1)	(11.5)	1.7	1.7
Retained profits	33	814.2	727.5	920.8	1,190.0
Equity attributable to Shareholders of the Parent Entity		3,049.8	2,896.8	3,162.2	3,372.5
Outside equity interests in controlled entities	34	104.8	256.2	-	-
Total equity		3,154.6	3,153.0	3,162.2	3,372.5

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

Statements of Cash Flows

For the year ended 30 June 2004

	Note	Consolidated Inflows (outflows)		Parent Entity Inflows (outflows)	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
Cash flows from operating activities					
Receipts from customers		5,031.7	4,802.6	266.2	275.4
Payments to suppliers and employees		(4,227.7)	(4,094.3)	(289.3)	(301.2)
Dividends received		74.8	66.8	196.4	1,035.3
Interest received		8.8	9.0	185.5	199.3
Borrowing costs paid		(132.2)	(169.2)	(112.6)	(118.7)
Income taxes paid		(118.2)	(72.7)	(19.2)	(12.1)
Net cash provided by operating activities	47(d)	637.2	542.2	227.0	1,078.0
Cash flows from investing activities					
Payments for property, plant and equipment		(211.8)	(296.0)	(3.5)	(3.6)
Payments for investments		(120.7)	(16.0)	(471.2)	-
Payments for intangibles		(3.0)	-	-	-
Payments for acquisition of controlled entities	47(e)	-	(24.2)	-	-
Payments for additional investments in controlled entities		-	-	-	(638.6)
Loans advanced		(114.1)	(4.7)	(114.1)	(3.5)
Proceeds from sale of property, plant and equipment		5.6	86.1	0.3	22.8
Proceeds from disposal of investments		3.2	133.2	3.2	3.3
Proceeds from Dingo Blue settlement		20.9	-	-	-
Proceeds from share buy-back of controlled entities		-	-	164.5	-
Proceeds from sale of controlled entities	47(f)	-	571.6	-	-
Proceeds from loan repayments		7.8	47.6	3.5	12.3
Net cash (used in) provided by investing activities		(412.1)	497.6	(417.3)	(607.3)
Cash flows from financing activities					
Proceeds from issue of shares		58.9	634.5	58.9	634.5
Share buy-back		(155.8)	-	-	-
Proceeds from borrowings and hedge receipts on foreign currency borrowings		751.8	696.9	521.0	703.4
Repayment of borrowings and hedge payments on foreign currency borrowings		(639.0)	(2,076.0)	(804.7)	(473.7)
Loans repaid by controlled entities		-	-	1,227.1	12.6
Loans advanced to controlled entities		-	-	(555.7)	(1,117.9)
Dividends paid		(289.8)	(250.1)	(262.8)	(231.3)
Net cash (used in) provided by financing activities		(273.9)	(994.7)	183.8	(472.4)
Net (decrease) increase in cash held		(48.8)	45.1	(6.5)	(1.7)
Cash at the beginning of the financial year		50.4	5.8	(0.7)	1.0
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	47(a)	1.4	50.4	(7.2)	(0.7)

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

Notes to the Financial Statements

For the year ended 30 June 2004

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 Australian 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

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.

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 was 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) 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 business to the Energy Sales & Marketing business. 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.

(e) 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 and electricity services supplied to customers 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.

(f) 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.

(g) 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.

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.

(h) 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.

(i) 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, 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, 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.

(j) Gas entitlements

A controlled 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 take 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.

(k) 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 conversion of existing customers' appliances to the use of natural gas and other gas and electricity industry expenditures).

(l) 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.

Notes to the Financial Statements

For the year ended 30 June 2004

The discount rate used in determining the recoverable amount of non-current assets ranged from 6.8% - 14.0% (2003 6.0% - 15.0%) depending on the nature and assessed risk of the assets.

(m) 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.

(n) Interest bearing liabilities

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

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

(o) 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.

(p) 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.

(q) Restoration and rehabilitation costs

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

(r) 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 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.

(s) 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.

(t) 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.

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.

(u) 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(t).

(v) 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.

(w) Comparative figures

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

(x) 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.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 3 – Segment information

(a) Segment revenues

	External sales revenues		Other external revenues		Inter-segment revenues		Equity accounted share of net profits/(losses)		Total	
	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$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.

Note 3 - Segment information (continued)**(b) Segment results - profits/(losses)**

	Segment results – profits/(losses)		Depreciation and amortisation		Other non-cash expenses	
	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$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
	<u>234.2</u>	<u>215.9</u>	<u>66.5</u>	<u>64.3</u>	<u>2.6</u>	<u>3.1</u>
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	<u>733.0</u>	<u>707.3</u>	<u>212.9</u>	<u>229.2</u>	<u>106.4</u>	<u>95.4</u>
Unallocated items	(32.0)	(20.0)	31.4	20.7	19.6	6.8
	<u>701.0</u>	<u>687.3</u>	<u>244.3</u>	<u>249.9</u>	<u>126.0</u>	<u>102.2</u>
Less: borrowing costs	(134.0)	(174.6)				
Profit from ordinary activities before income tax	<u>567.0</u>	<u>512.7</u>				
Income tax attributable to ordinary activities	(187.5)	(172.8)				
Profit from ordinary activities after income tax	<u>379.5</u>	<u>339.9</u>				

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)

Notes to the Financial Statements

For the year ended 30 June 2004

Note 3 - Segment information (continued)

(c) Segment assets and liabilities

	Assets		Liabilities		Equity accounted investments*		Acquisition of non-current assets*	
	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$m	Jun 04 \$m	Jun 03 \$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

Note 3 - Segment information (continued)**(d) Funds employed**

	Energy Networks		Agility	Energy Sales & Marketing	Energy Investments	Power Generation	New Zealand Business	Property	Telecomm-unications
	Gas networks	Electricity networks							
	2004 \$m	2004 \$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 and 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 and 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									
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	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

Note 3 - Segment information (continued)

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

(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)

(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.

(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.

(h) Geographical segments

	External revenues		Assets		Acquisition of non-current assets	
	Jun 04	Jun 03	Jun 04	Jun 03	Jun 04	Jun 03
	\$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.

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 4 - Revenues from ordinary activities				
Sales of goods				
Operating activities	3,704.0	3,482.5	261.6	273.2
Other activities	-	-	-	-
Provision of services				
Construction contracts	27.3	24.0	-	-
Other operating activities	422.5	365.9	1.3	1.4
Interest				
Wholly-owned controlled entities	-	-	181.2	195.9
Associates and joint venture entities	-	1.2	2.6	-
Other entities	9.4	7.5	4.9	4.8
Dividends				
Wholly-owned controlled entities	-	-	192.8	1,022.9
Other entities	0.7	5.0	-	-
Associates and joint venture entities	-	-	11.1	12.4
Share of partnership profits	-	0.1	-	-
Disposals of assets				
Operating activities	8.8	765.5	3.5	11.9
Other activities	-	21.4	166.6	21.4
Rents				
Other activities	0.6	0.7	0.1	0.1
Net foreign currency exchange gain from non-speculative dealing	-	1.6	3.1	0.8
Other				
Operating activities	10.1	7.7	3.0	6.4
Other activities - proceeds on Dingo Blue settlement	18.3	4.7	-	-
	4,201.7	4,687.8	831.8	1,551.2

All revenue relates to operating activities unless otherwise stated.

Note 5 - Expenses from ordinary activities

Cost of goods sold	2,542.8	2,364.2	261.7	261.9
Administrative costs	210.0	149.6	6.5	6.1
Employee benefits	459.6	413.3	32.3	31.3
Losses and write downs relating to investments/controlled entities	36.8	17.0	199.1	69.5
Carrying value of assets/businesses sold	10.4	734.4	192.3	19.7
Other expenses	88.6	92.7	-	-
	3,348.2	3,771.2	691.9	388.5

Note 6 - Profit from ordinary activities before income tax expense

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	(1.6)	1.4	(0.1)	(0.1)
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Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 6 - Profit from ordinary activities before income tax expense (continued)				
(b) Items of expense				
Borrowing costs				
Interest expense				
Wholly-owned controlled entities	-	-	4.9	1.7
Other entities	127.8	162.9	107.5	117.4
Other borrowing costs	7.0	15.6	5.4	9.4
	134.8	178.5	117.8	128.5
Less amounts capitalised as part of the carrying values of assets*	0.8	3.9	-	-
	134.0	174.6	117.8	128.5

*Capitalisation rate applicable to funds borrowed generally 7.5%.

Amounts provided for:

Directors' retiring allowances	0.2	0.2	0.2	0.2
Doubtful debts (net of bad debts recovered)	26.1	24.8	95.7	69.5
Employee benefits	43.3	43.8	12.1	3.7
Environmental rehabilitation	0.9	5.0	0.1	1.8
Interest rate swaps	-	4.0	-	-
Other	12.6	8.4	-	-
Amounts written off in respect of:				
Plant and equipment scrapped	6.3	2.0	0.2	0.2
Deferred expenditure	0.5	-	-	-
Amortisation of:				
Deferred expenditure	46.9	39.0	0.1	0.2
Gas entitlements	32.5	52.4	-	-
Intangibles	40.6	35.6	-	-
Depreciation of:				
Buildings				
Freehold	0.2	0.2	-	-
Leaseholds	1.1	1.0	0.8	0.6
Plant and equipment				
Purchased assets	123.0	121.7	0.8	0.9
Net decrements arising on write down of:				
Inventories	0.2	0.9	-	-
Investments	32.6	17.0	103.5	-
Rental expense on operating leases	21.9	19.5	-	1.6
Research and development costs	0.2	0.2	-	-

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 6 - Profit from ordinary activities before income tax expense (continued)				
(c) Significant items				
Dingo Blue settlement (Income tax expense applicable \$nil million)	16.2	-	-	-
Write-off of Windimurra Power Station and APT Western Pipeline (Income tax benefit applicable \$0.5 million)	(8.4)	-	-	-
Write-off of TransACT (Income tax benefit applicable \$nil million (Parent Entity \$nil million))	(25.0)	(17.0)	(25.0)	(17.0)
Equity accounted losses/written down relating to COMindico* (Income tax benefit applicable \$nil million (Parent Entity \$nil million))	(23.5)	(52.5)	(23.5)	(52.5)
Equity accounted profit relating to APT entering tax consolidations* (Income tax expense applicable \$nil million)	27.9	-	-	-
Net loss on NGC buy-back (Income tax expense applicable \$1.9 million)	-	-	(22.5)	-
Net gain on disposal of NGC generation assets (Income tax expense applicable \$2.5 million)	-	63.7	-	-
Loss on sale of TrustPower investment (Income tax benefit applicable \$nil million)	-	(4.0)	-	-
Profit on sale of surplus property held for sale (Income tax expense applicable \$0.3 million (Parent Entity \$0.3 million))	-	13.5	-	13.5
Provision for property rehabilitation obligations (Income tax benefit applicable \$1.5 million (Parent Entity \$1.5 million))	-	(5.0)	-	(5.0)

* refer to Note 44 - Interests in associates

Note 7 - Income tax expense

Prima facie income tax expense on profit from ordinary activities	(170.1)	(153.8)	(6.1)	(309.8)
Tax effect of permanent differences				
Non-allowable expenditure	(29.1)	(31.4)	(72.8)	(37.5)
Non-assessable revenue	7.0	0.9	15.6	1.9
Rebateable/non-assessable dividends	-	-	35.3	321.0
Non rebateable/assessable dividends	(14.6)	(14.0)	-	-
Equity accounted profits/(losses) of associates and joint venture entities	11.3	(7.2)	-	-
Profits on disposals of assets	(0.9)	23.6	-	4.5
Other	1.9	(0.1)	1.5	2.2
Recognition of tax losses not previously brought to account	2.1	6.9	-	-
Income tax over/(under) provided in prior years	4.9	2.3	(0.3)	(1.6)
Income tax attributable to ordinary activities	(187.5)	(172.8)	(26.8)	(19.3)

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 8 - 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	100.4	70.3
Unfranked amount (7 cents per share (2003 - 10 cents per share))	31.9	43.9	31.9	43.9
Total amount (29 cents per share (2003 - 26 cents per share))	132.3	114.2	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	81.0	69.4
Unfranked amount (11 cents per share (2002 - 11 cents per share))	49.5	47.7	49.5	47.7
Total amount (29 cents per share (2002 - 27 cents per share))	130.5	117.1	130.5	117.1
	262.8	231.3	262.8	231.3

Unrecognised amounts

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

[#] The proposed final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this financial report as the final dividend was not declared on or before 30 June 2004.

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)

			-	-
Foreign dividend account credits attached to dividends for the year	8.0	18.0	8.0	18.0

Note 9 - Receivables (current)

Debtors	422.9	417.6	16.2	9.3
Less provision for doubtful debts	29.2	26.4	-	-
	393.7	391.2	16.2	9.3
Unbilled revenue	403.7	375.2	-	-
Loans receivable (secured)	2.4	3.1	2.2	3.0
Loans to directors engaged in full time employment within the consolidated entity (secured)	1.5+	0.8*	1.5+	0.8*
Amounts owing by:				
Associates and joint venture entities	39.8	33.6	4.3	-
	841.1	803.9	24.2	13.1

+ To nearest thousand dollars, \$1,481,000.

* To nearest thousand dollars, \$835,000.

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 customers' 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 2005.

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 2005.

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	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 10 - Inventories (current)				
Stocks and materials				
Raw materials and stores - at cost	14.8	18.2	-	-
Work in progress - at cost	2.3	0.4	-	-
Finished goods - at cost	7.1	4.9	-	-
Less provision to reduce carrying values to net realisable values	0.5	0.5	-	-
	6.6	4.4	-	-
	23.7	23.0	-	-

Note 11 - Property, plant and equipment (current)

Surplus properties held for sale - freehold at cost	21.8	-	21.8	-
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Valuations

The properties were valued at \$36.4 million at 30 June 2004 (Parent Entity \$36.4 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 2004.

Capital gains tax payable if the properties had been sold at 30 June 2004 for amounts equivalent to their valuations at that date would be \$9.5 million. At 30 June 2004 no allowance has been made for this capital gains tax.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 12 - Other assets (current)				
Prepayments	80.5	87.0	0.6	1.2
Gas entitlements	30.4	23.2	-	-
	110.9	110.2	0.6	1.2
Note 13 - Receivables (non-current)				
Debtors	4.9	14.0	4.5	10.4
Loans receivable (unsecured)	1.6	1.8	-	-
Loans receivable (secured)				
At recoverable amount ⁽¹⁾	-	4.1	-	-
At cost	6.6	7.9	6.6	7.9
	6.6	12.0	6.6	7.9
Loans to directors engaged in full time employment within the consolidated entity (secured)	5.3+	7.5*	5.3+	7.5*
Amounts owing by:				
Wholly-owned controlled entities	-	-	3,970.3	4,395.4
Partly-owned controlled entities	-	-	0.3	1.0
Associates and joint venture entities	111.9	-	111.9	-
	111.9	-	4,082.5	4,396.4
Less provision to reduce carrying value to recoverable amount	-	-	240.4	144.6
	111.9	-	3,842.1	4,251.8
	130.3	35.3	3,858.5	4,277.6

+ To nearest thousand dollars, \$5,325,000.

* To nearest thousand dollars, \$7,452,000.

(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 employee share plan loans which are secured by first mortgages over shares of the Parent Entity. 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.

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 14 - Equity accounted investments (non-current)				
Associates - quoted on stock exchange (Note 44)				
At equity accounted carrying amount (Parent Entity at cost)	64.0	37.0	132.2	132.1
Associates - not quoted on stock exchange (Note 44)				
At equity accounted carrying amounts (Parent Entity at cost)	117.1	21.5	107.1	-
Joint venture entities - not quoted on stock exchange (Note 43)				
At equity accounted carrying amounts	420.1	415.7	-	-
	601.2	474.2	239.3	132.1

Note 15 - Other financial assets (non-current)

Controlled entities - not quoted on stock exchange				
At recoverable amount ⁽¹⁾	-	-	11.5	11.5
At cost ⁽²⁾	-	-	1,177.2	1,005.7
Less provision to reduce carrying value to recoverable amount	-	-	103.5	-
	-	-	1,085.2	1,017.2
Interest in other entities				
Not quoted on stock exchange - at cost	2.0	25.0	-	-
	2.0	25.0	1,085.2	1,017.2

(1) Sh

(2) Shares in other control deemed to be carried forward at cost as from 1 July 2000 under accounting standard AASB 1041.

Note 16 - Property, plant and equipment (non-current)**(a) Land and buildings**

Freehold				
At cost	39.8	39.0	1.5	1.5
Less provision for depreciation	3.8	3.3	-	-
	36.0	35.7	1.5	1.5
Leasehold				
At cost	9.6	9.6	4.5	4.5
Less provision for amortisation	7.3	6.2	3.4	2.6
	2.3	3.4	1.1	1.9
	38.3	39.1	2.6	3.4

Valuations

Freehold land and buildings were valued at \$53.2 million at 30 June 2004 (Parent Entity \$2.6 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 2004.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 16 - Property, plant and equipment (non-current) (continued)				
(b) Surplus properties held for sale				
Freehold				
At cost	18.2	39.9	14.2	35.8
Less provision for depreciation	0.4	0.3	-	-
	17.8	39.6	14.2	35.8

Valuations

The properties were valued at \$39.8 million at 30 June 2004 (Parent Entity \$37.4 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 2004.

Capital gains tax payable if the properties had been sold at 30 June 2004 for amounts equivalent to their valuations at that date would be \$10.4 million. At 30 June 2004 no allowance has been made for this capital gains tax.

(c) Plant and equipment

At cost ⁽¹⁾	3,840.4	3,660.6	6.5	9.0
Plant and equipment under finance lease	2.2	2.3	-	-
Less provision for depreciation	982.1	875.0	4.7	4.5
	2,860.5	2,787.9	1.8	4.5
	2,860.5	2,787.9	1.8	4.5

(1) Certain items of plant and equipment in 1986, have been deemed to be carried forward at cost as from 1 July 2000 under accounting standard AASB 1041.

	2,916.6	2,866.6	18.6	43.7
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Note 16 - Property, plant and equipment (non-current) (continued)**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 year:					
Consolidated - 2004					
Balance at beginning of year	35.7	3.4	39.6	2,787.9	2,866.6
Additions	0.8	-	0.2	180.7	181.7
Disposals	-	-	-	(15.0)	(15.0)
Depreciation	(0.2)	(1.1)	(0.2)	(122.8)	(124.3)
Reclassification	-	-	(21.8)	-	(21.8)
Foreign currency exchange differences	(0.3)	-	-	29.7	29.4
Balance at the end of year	36.0	2.3	17.8	2,860.5	2,916.6
Parent Entity - 2004					
Balance at beginning of year	1.5	1.9	35.8	4.5	43.7
Additions	-	-	0.2	-	0.2
Disposals	-	-	-	(1.9)	(1.9)
Depreciation	-	(0.8)	-	(0.8)	(1.6)
Reclassification	-	-	(21.8)	-	(21.8)
Balance at the end of year	1.5	1.1	14.2	1.8	18.6

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 17 - Intangible assets				
Goodwill				
At cost	104.3	103.2	-	-
Less provision for amortisation	31.7	25.9	-	-
	72.6	77.3	-	-
Licences				
At cost	1,617.7	1,614.6	-	-
Less provision for amortisation	76.3	40.7	-	-
	1,541.4	1,573.9	-	-
	1,614.0	1,651.2	-	-
Note 18 - Deferred expenditure				
Gas industry expenses - at cost				
Natural gas conversion	72.1	72.1	-	-
Other	35.1	15.2	-	-
	107.2	87.3	-	-
Less provision for amortisation	90.9	64.4	-	-
	16.3	22.9	-	-
Other expenses - at cost				
Borrowings	22.0	18.8	18.9	15.7
Computer software	228.0	215.6	1.6	1.3
Other	3.2	4.9	0.1	0.3
	253.2	239.3	20.6	17.3
Less provision for amortisation	121.7	95.7	11.3	9.2
	131.5	143.6	9.3	8.1
	147.8	166.5	9.3	8.1
Note 19 - Deferred tax assets				
Future income tax benefits*	112.7	120.4	16.7	19.7
*Includes future income tax benefits attributable to tax losses carried forward as an asset.	17.5	3.4	-	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(p) apply.	4.7	2.3	-	-

Tax consolidation

A detailed analysis of the advantages and disadvantages of entering the 'Tax Consolidation' regime is being updated by the Parent Entity and its wholly-owned Australian subsidiaries. A final decision on whether or not to implement the Tax Consolidation legislation must be made by 15 January 2005. In performing this analysis, 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 2004.

There has been no material impact on the consolidated assets, liabilities or results.

At the date of this report, the directors have not made a decision whether to elect to be taxed as a single entity.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$m	\$m	\$m	\$m
Note 20 - Other assets (non-current)				
Gas entitlements - at cost	212.9	201.7	-	-
Less provision for amortisation	187.5	147.5	-	-
	25.4	54.2	-	-
Sundry gas and electricity assets	8.6	7.5	-	-
	34.0	61.7	-	-

Note 21 - Payables (current)

Creditors	442.3	431.1	71.4	69.3
Amounts owing to:				
Wholly-owned controlled entities	-	-	195.0	-
Associates and joint venture entities	13.8	14.7	-	-
		445.8	266.4	69.3

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)

Subject to negative pledge				
Bank borrowings	177.6	-	-	-
Medium term notes	300.0	-	300.0	-
Senior notes	-	149.9	-	149.9
Unsecured				
Bank overdrafts	6.6	6.1	-	3.8
Bank borrowings	50.4	1.7	-	-
Money market borrowings	10.0	-	10.0	-
Promissory notes	-	115.0	-	115.0
Lease liabilities (Note 37)	0.3	0.3	-	-
Customer deposits and interest	1.2	1.4	-	-
	546.1	274.4	310.0	268.7

Significant terms and conditions

Bank borrowings are repayable on maturity, partly in July 2004, August 2004 and December 2004.

Medium term notes were repayable on maturity in July 2004.

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

Customer deposits and interest relate to security deposits lodged with certain controlled entities by gas and electricity customers. These deposits and accrued interest are normally held for periods of either one or two years. The aggregate amount expected to be paid to customers 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).

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 23 - Provisions (current)				
Employee benefits	42.3	38.0	7.3	2.7
Contract restructuring	12.2	11.9	-	-
Energy settlements	15.8	14.4	-	-
Interest rate swaps	-	4.0	-	-
Environmental rehabilitation	4.3	3.2	3.5	3.2
Retail contestability initiatives	1.3	1.8	-	-
Onerous contracts	25.8	29.7	-	-
Other	8.8	9.6	-	-
	110.5	112.6	10.8	5.9

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 dependent 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.
- (d) The provision for environmental rehabilitation was established to cover an estimate of obligations with respect to contaminated gas and electricity properties owned or formerly owned by the consolidated entity. 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 initiatives represents the residual of the former gas customers' reserve account made available to partially offset the costs of implementing full retail contestability in the NSW gas market.
- (f) The provision for onerous contracts represents amounts recognised on the acquisition of the Pulse Energy businesses, and amounts relating to NGC's Maui gas contract redetermination.

Note 23 - Provisions (current) (continued)

	Employee benefits \$m	Contract restruc- turing \$m	Energy settle- ments \$m	Interest rate swaps \$m	Environ- mental rehab- ilitation \$m	Retail contes- tability initiatives \$m	Onerous contracts \$m	Other \$m	Total \$m
Consolidated - 2004									
Balance at beginning of year	38.0	11.9	14.4	4.0	3.2	1.8	29.7	9.6	112.6
Additional provisions recognised	40.6	-	1.9	-	0.9	-	6.0	3.3	52.7
Provisions utilised	(43.6)	(7.4)	(1.1)	(4.1)	(1.3)	(0.5)	(31.3)	(4.5)	(93.8)
Reclassification from non-current provisions/other	7.1	7.7	-	-	1.5	-	21.3	0.2	37.8
Foreign currency exchange differences	0.2	-	0.6	0.1	-	-	0.1	0.2	1.2
Balance at the end of year	42.3	12.2	15.8	-	4.3	1.3	25.8	8.8	110.5
Parent Entity - 2004									
Balance at beginning of year	2.7	-	-	-	3.2	-	-	-	5.9
Additional provisions recognised	11.0	-	-	-	0.1	-	-	-	11.1
Provisions utilised	(10.5)	-	-	-	(1.3)	-	-	-	(11.8)
Reclassification from non-current provisions/other	4.1	-	-	-	1.5	-	-	-	5.6
Balance at the end of year	7.3	-	-	-	3.5	-	-	-	10.8

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 24 - Current tax liabilities				
Current tax payable	76.6	34.7	17.4	16.9
Note 25 - Unearned revenue (current)				
Unearned revenue	12.3	15.6	0.4	0.5
Note 26 - Payables (non-current)				
Amounts owing to wholly-owned controlled entities	-	-	101.8	51.1
Note 27 - Interest bearing liabilities (non-current)				
Subject to negative pledge				
Bank borrowings	-	235.0	-	235.0
Medium term notes	782.2	900.0	600.0	900.0
Senior notes	796.2	575.3	796.2	575.3
Other unsecured				
Bank borrowings	52.0	48.7	-	-
Lease liabilities (Note 37)	1.8	2.0	-	-
Customer deposits and interest	11.4	11.7	-	-
	1,643.6	1,772.7	1,396.2	1,710.3

Significant terms and conditions

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

Senior notes are repayable on maturity, partly in April 2008, September 2015 and 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 partly in February 2006.

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

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Directors' retiring allowances	1.5	2.0	1.5	2.0
Employee benefits	35.8	43.0	5.5	8.5
Contract restructuring	-	7.7	-	-
Environmental rehabilitation	0.3	1.8	0.1	1.6
Onerous contracts	9.1	29.0	-	-
Other	1.7	1.9	-	-
	48.4	85.4	7.1	12.1

Note 28 - Provisions (non-current)

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 obligations with respect to contaminated gas and electricity properties owned or formerly owned by the consolidated entity. 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 amounts recognised on the acquisition of the Pulse Energy businesses.

	Directors' retiring allowances \$m	Employee benefits \$m	Contract restruc- turing \$m	Environ- mental rehab- ilitation \$m	Onerous contracts \$m	Other \$m	Total \$m
Consolidated - 2004							
Balance at beginning of year	2.0	43.0	7.7	1.8	29.0	1.9	85.4
Additional provisions recognised	0.2	2.7	-	-	1.4	-	4.3
Provisions utilised	(0.7)	(2.8)	-	-	-	-	(3.5)
Reclassification to current provisions	-	(7.1)	(7.7)	(1.5)	(21.3)	(0.2)	(37.8)
Balance at the end of year	1.5	35.8	-	0.3	9.1	1.7	48.4
Parent Entity - 2004							
Balance at beginning of year	2.0	8.5	-	1.6	-	-	12.1
Additional provisions recognised	0.2	1.1	-	-	-	-	1.3
Provisions utilised	(0.7)	-	-	-	-	-	(0.7)
Reclassification to current provisions	-	(4.1)	-	(1.5)	-	-	(5.6)
Balance at the end of year	1.5	5.5	-	0.1	-	-	7.1

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 29 - Deferred tax liabilities (non-current)				
Deferred income tax	518.5	490.6	4.5	7.9
Note 30 - Unearned revenue (non-current)				
Unearned revenue	7.4	9.7	0.2	0.6
Note 31 - Contributed equity				
456,209,172 (2003 - 450,153,640) fully paid ordinary shares	2,239.7	2,180.8	2,239.7	2,180.8
Movements in contributed equity				
Balance at beginning of year	2,180.8	382.1	2,180.8	382.1
Share issues	58.9	218.8	58.9	218.8
Transfer from reserves	-	1,579.9	-	1,579.9
Balance at end of year	2,239.7	2,180.8	2,239.7	2,180.8

During the year the Parent Entity issued:

- (i) 91,827 shares pursuant to The Australian Gas Light Company Long Term Incentive Plan.
- (ii) 5,764,313 shares at \$10.23 per share pursuant to The Australian Gas Light Company Dividend Reinvestment Plan.
- (iii) 199,392 shares at \$10.66 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.

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 32 - Reserves				
Asset revaluation	-	-	1.7	1.7
Foreign currency translation	(4.1)	(11.5)	-	-
Share premium	-	-	-	-
Capital redemption	-	-	-	-
	(4.1)	(11.5)	1.7	1.7

Movements in reserves**Asset revaluation**

Balance at beginning of year	-	-	1.7	1.7
Balance at end of year	-	-	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	(11.5)	(6.0)	-	-
Net exchange gain arising on translation of foreign currency net assets	4.1	0.3	-	-
Net gain (loss) arising on hedging of foreign currency investments	3.3	(5.8)	-	-
Balance at end of year	(4.1)	(11.5)	-	-

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(t). 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	-	1,163.9
Premium arising on the issue of ordinary shares	-	415.6	-	415.6
Transfer to contributed equity	-	(1,579.5)	-	(1,579.5)
Balance at end of year	-	-	-	-

Capital redemption

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

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 33 - Retained profits				
Balance at beginning of year	727.5	560.6	1,190.0	305.3
Adjustment to capital redemption reserve	-	-	-	(0.4)
Profit after income tax attributable to Shareholders of the Parent Entity	349.5	295.0	(6.4)	1,013.2
Dividends paid or provided for	(262.8)	(231.3)	(262.8)	(231.3)
Write-back of prior year dividend provision	-	103.2	-	103.2
Balance at the end of year	814.2	727.5	920.8	1,190.0
Note 34 - Outside equity interests in controlled entities				
Contributed equity	54.9	152.1	-	-
Reserves	28.0	26.5	-	-
Accumulated profits	21.9	77.6	-	-
	104.8	256.2	-	-
Note 35 - Construction contracts in progress				
Aggregate of contract costs incurred and recognised profits (less recognised losses) to date	27.7	28.3	-	-
Less aggregate of consideration received and receivable as progress billings (including retentions) and advances received	(25.8)	(32.3)	-	-
	1.9	(4.0)	-	-
Amounts due from customers for contract work (Note 9)	2.6	1.6	-	-
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	12.0	17.0	-	-
Construction projects	-	3.8	-	-
Capital commitments in respect of:				
Other	-	4.0	-	4.0
Operating expenditure in respect of:				
Property, plant and equipment	0.8	-	-	-
	12.8	24.8	-	4.0
Payable				
Not later than one year	5.3	23.2	-	4.0
Later than one year but not later than five years	3.6	1.6	-	-
Later than five years	3.9	-	-	-
	12.8	24.8	-	4.0

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 37 - Lease commitments				
Finance leases				
Estimated lease commitments				
Due within 1 year	0.3	0.3	-	-
Due between 1 and 5 years	1.7	1.5	-	-
Due after 5 years	0.3	0.8	-	-
	2.3	2.6	-	-
Less future finance charges	0.2	0.3	-	-
Present value of lease payments	2.1	2.3	-	-
Due within 1 year (Note 22)	0.3	0.3	-	-
Non-current liability (Note 27)	1.8	2.0	-	-

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, escalation clauses or restrictions imposed by lease arrangements concerning dividends, additional debt and further leasing.

Non-cancellable operating leases

Aggregate amounts contracted for at balance date not reflected in the financial statements

Due within 1 year	19.0	19.0	5.0	5.0
Due between 1 and 5 years	24.0	39.0	2.0	7.0
Due after 5 years	3.0	4.0	-	-
	46.0	62.0	7.0	12.0

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	7.5	8.6	103.5	131.0
Guarantees and warranties in respect of controlled entities	33.6	34.0	81.0	86.1
Guarantees in respect of associated companies	5.0	5.0	5.0	5.0
Guarantees in respect of other entities	15.8	12.8	15.8	12.8
	61.9	60.4	205.3	234.9

Notes to the Financial Statements

For the year ended 30 June 2004

Note 38 - Contingent liabilities and contingent assets (continued)

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 2004, as it is contingent on obtaining relevant State and Territorial duty relief and cannot be reliably measured at this stage.

	Consolidated		Parent Entity	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 39 - Remuneration of auditors				
Remuneration of the auditor of the Parent Entity for:				
Auditing and reviewing the financial report	919	955	168	112
Other services:				
Due diligence for acquisitions and disposals	-	256	-	149
Tax consulting and compliance reviews	11	97	5	97
Audit assurance for debt offering	358	-	358	-
Other audit assurance services	101	143	16	61
Retail contestability implementation	-	25	-	-
Adoption of International Financial Reporting Standards	364	-	364	-
Regulatory audits	70	59	-	-
Other	131	93	51	50
	1,035	673	794	357
Remuneration of related practices of the Parent Entity auditor for other services:				
Valuations	-	20	-	-
Remuneration of other auditors of controlled entities for auditing and reviewing the financial report				
	271	260	-	-

Note 40 – Remuneration of Specified Directors and Specified Executives

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

M J Phillips – Chairman until 31 December 2003

M R G Johnson – Deputy Chairman until 31 December 2003
– Chairman from 1 January 2004

D C K Allen

Sir Ronald Brierley

A B Daniels

C J Hewson

G J Reaney

M G Ould – appointed 1 January 2004

G J W Martin – Managing Director

(ii) Specified Executives

L J Fisk – Group Manager Corporate Services
& Company Secretary

M A Fraser – Group General Manager Energy Sales
& Marketing

M R Harper – Group General Manager Operations

G J Hayes – Chief Financial Officer

P M James – Chief Executive Officer – NGC

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration policy

The People & Performance Committee of the Board, review the remuneration strategy and the remuneration arrangements described below for all Specified Directors and Specified Executives on an annual basis and makes recommendations to the Board. They have access to independent external advisors as required.

Directors' remuneration

The remuneration of non-executive directors is provided by way of fees. Directors allocate part of their fees to acquire AGL shares under the AGL Share Purchase Plan. These shares are acquired by a trustee at market price during identified trading windows. Superannuation contributions as required under the Superannuation Guarantee Charge legislation are also provided for non-executive directors. Any benefits which attract fringe benefits tax are identified as non-monetary benefits and the amount listed includes the value of the benefit and the fringe benefits tax.

Effective from 1 January 2004, the Directors' Retirement Benefit scheme was closed and the accrued value of the benefits was determined for eligible directors. From that date the remuneration of directors was reviewed, recognising that directors were no longer eligible to accrue benefits under that arrangement. Fees for directors were established at a level within the aggregate limit approved by shareholders at the 2003 Annual General Meeting and were externally benchmarked by independent advisors. Eligible directors elected to have their accrued benefits applied, to acquire shares under the AGL Share Purchase Plan, which will be held in trust until the retirement of the directors.

The remuneration of the Managing Director is determined on a similar basis to that described below for executives of the consolidated entity.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 40 - Remuneration of Specified Directors and Specified Executives (continued)

Executive remuneration

The remuneration for executives is delivered through a combination of fixed remuneration and short and long term incentives. The target level of these components for individual roles is determined by market comparison. This ensures that the consolidated entity is able to attract and retain key people in critical roles. The market comparators assessed are organisations of comparable business complexity as well as general market comparisons based on functional job requirements. External advisers provide the consolidated entity with market data and commentary on these comparators.

The Total Fixed Remuneration (TFR) and Short Term Incentives (STI) make up the cash component. The TFR includes the cost of funding superannuation benefits and provision for up to two cars through novated lease arrangements. To be eligible to receive STI each executive must demonstrate the consolidated entity's values and be performing efficiently in their role. The actual level of STI paid for each individual is determined at the end of the financial year by assessment of that individual's performance against key value drivers for the business which were identified at the beginning of the financial year.

Benefits such as cars, spouse representational travel and entertainment which attract fringe benefits tax are identified as non-monetary benefits and the amount listed includes the value of the benefit and the fringe benefits tax.

The third component of remuneration is Long Term Incentive (LTI). This is directly linked to the performance of the consolidated entity, measured by the three-year rolling average movement in economic profit. Having the movement in economic profit as the performance hurdle before LTI is available, ensures executives' rewards are directly aligned with actual delivery of the consolidated entity's performance. Once earned, LTI is delivered as share rights which vest over three years. This vesting schedule encourages retention of those receiving the awards and also continues to focus attention on ongoing performance as reflected in the consolidated entity's share price.

Executives have service agreements which specify these remuneration components as well as the benefits which apply if the consolidated entity terminates the contract. As identified in the consolidated entity's 2003 Annual Report there is provision in the contract of the Group General Manager Energy Sales and Marketing for payment of retention fees. The initial retention fee of \$352,975 was paid in September 2003. A further retention fee will be paid if he continues with the consolidated entity until 31 August 2006, and a final retention fee if he continues until 31 August 2009.

Previously the consolidated entity operated a Share Loan Plan under which shares were granted and funded by a loan. This plan was replaced by the LTI described above in 2002. However, some individuals still have loans relating to awards previously made, and the details of these have been disclosed later in this note.

Note 40 - Remuneration of Specified Directors and Specified Executives (continued)**(ii) Remuneration of Specified Directors and Specified Executives**

	Primary			Post employment		Equity rights	Other	Total
	Salary & fees	Cash bonus	Non-monetary	Super-annuation	Retirement benefits ⁽¹⁾			
	\$	\$	\$	\$	\$	\$	\$	\$
Specified Directors								
M R G Johnson	9,132	-	-	10,789	2,250	173,493 ⁽³⁾	-	195,664
D C K Allen	65,699	-	10,398	9,461	15,564	41,800 ⁽³⁾	-	142,922
Sir Ronald Brierley	4,599	-	-	9,101	5,000	87,400 ⁽³⁾	-	106,100
A B Daniels	86,812	-	6,386	9,686	15,113	28,937 ⁽³⁾	-	146,934
C J Hewson	60,562	-	-	9,911	18,428	60,562 ⁽³⁾	-	149,463
M G Ould	37,407	-	-	5,501	-	18,425 ⁽³⁾	-	61,333
G J Reaney	76,569	-	4,800	9,866	6,500	46,930 ⁽³⁾	-	144,665
G J W Martin	920,125	627,000	170,286	181,156	-	305,557 ⁽⁴⁾	250,976 ⁽⁵⁾	2,455,100
M J Phillips	86,251	-	40,332	-	21,750 ⁽²⁾	28,750 ⁽³⁾	-	177,083
	1,347,156	627,000	232,202	245,471	84,605	791,854	250,976	3,579,264
Specified Executives								
L J Fisk	373,589	159,480	44,173	65,896	-	135,366 ⁽⁴⁾	34,568 ⁽⁵⁾	813,072
M A Fraser	587,542	257,600	7,981	111,562	-	213,894 ⁽⁴⁾	402,219 ^{(5),(6)}	1,580,798
M R Harper	347,586	154,088	55,611	49,028	-	125,892 ⁽⁴⁾	18,843 ⁽⁵⁾	751,048
G J Hayes	593,597	244,480	66,673	36,754	-	151,411 ⁽⁴⁾	-	1,092,915
P M James	375,835	166,374	54,957	50,765	-	130,355 ⁽⁴⁾	22,870 ⁽⁵⁾	801,156
	2,278,149	982,022	229,395	314,005	-	756,918	478,500	5,038,989

(1) Value of benefits accrued under the Retirement Benefits arrangement until 31 December 2003.

(2) Full Retirement Benefit of \$619,750 paid out on retirement.

(3) Value of shares acquired under the AGL Share Purchase Plan from the allocation of fees.

(4) The amortisation of share rights issued on 1 September 2003.

(5) Interest not charged on loans provided to purchase shares under the AGL Share Loan Plans.

(6) Includes retention payment of \$352,975.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 40 - Remuneration of Specified Directors and Specified Executives (continued)

(c) Remuneration - rights granted during the year

During the financial year rights were granted under the terms of the LTIP (refer Note 45) as equity compensation

benefits to certain Specified Directors and Specified Executives as disclosed below. The rights were issued free of charge. Each right entitles the holder to fully paid ordinary shares in the Parent Entity. The rights vest over a three year period.

	Number granted	Grant date	Value per right at grant date \$	Number included as remuneration ⁽¹⁾
Specified Directors				
G J W Martin	55,249	1/09/03	10.86	28,136
Specified Executives				
L J Fisk	24,476	1/09/03	10.86	12,465
M A Fraser	38,675	1/09/03	10.86	19,696
M R Harper	22,763	1/09/03	10.86	11,592
G J Hayes	15,194	1/09/03	10.86	7,738
G J Hayes	45,000	1/03/04	11.23	6,000
P M James	23,570	1/09/03	10.86	12,003

(1) Refer Note 40 (b)(ii)

(d) Shareholdings of Specified Directors and Specified Executives

	Balance at beginning of period	Number included as remuneration ⁽¹⁾	Net change other	Balance at end of period
Specified Directors				
M R G Johnson	124,208	13,004	2,671	139,883
D C K Allen	47,457	5,841	1,345	54,643
Sir Ronald Brierley	37,657	7,470	-	45,127
A B Daniels	12,426	2,388	352	15,166
C J Hewson	21,168	5,014	600	26,782
M G Ould	-	-	2,781	2,781
G J Reane	42,318	3,835	493	46,646
G J W Martin	528,685	28,136	643	557,464
Specified Executives				
L J Fisk	114,103	12,465	33	126,601
M A Fraser	125,371	19,696	200	145,267
M R Harper	38,951	11,592	-	50,543
G J Hayes	-	13,788	-	13,788
P M James	75,651	12,003	-	87,654

(1) Refer Note 40 (b)(ii)

Note 40 - Remuneration of Specified Directors and Specified Executives (continued)**(e) Loans to Specified Directors and Specified Executives**

(i) Details of aggregates of loans to specified directors and specified executives are as follows:

	Balance at beginning of period \$000	Interest not charged \$000	Balance at end of period \$000	Number in group
Specified Directors	4,062	251	3,779	1
Specified Executives	2,055	126	1,867	4
Total	6,117	377	5,646	5

(ii) Details of individuals with loans above \$100,000 in the reporting period are as follows:

	Balance at beginning of period \$000	Interest not charged \$000	Balance at end of period \$000	Highest owing in period \$000
Specified Directors				
G J W Martin	4,062	251	3,779	4,062
Specified Executives				
L J Fisk	570	35	510	570
M A Fraser	804	49	735	804
P M James	376	23	339	376
M R Harper	305	19	283	305

Terms and conditions of loans

Terms and conditions of loans to specified directors and specified executives are detailed in Notes 9 and 13.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 41 - Controlled entities

Entity	Country of incorporation or formation	Equity interest held in shares / units of controlled entity	
		2004 %	2003 %
Agility Communications Pty Limited ^(b)	Australia	-	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	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	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	Australia	100	100
AGL Gas Networks Limited	Australia	100	100
AGL Gas Trading Pty Limited	Australia	100	100
AGL International	Cayman Islands	100	100
AGL Investments Pty Limited	Australia	100	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	Poland	100	100
AGL Power Corporation (Victoria) Pty Limited	Australia	100	100
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 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	Australia	100	100
AGL Victoria Pty Limited	Australia	100	100
AGL WA Gas Investment Pty Limited	Australia	100	100
AGL Wholesale Electricity Pty Limited	Australia	100	100
AGL Wholesale Gas Limited	Australia	100	100

Note 41 - Controlled entities (continued)

Entity	Country of incorporation or formation	Equity interest held in shares / units of controlled entity	
		2004 %	2003 %
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 ^(b)	Australia	-	100
Elect Data Service (Australia) Pty Limited ^{(a)(c)}	Australia	100	-
EdgeCap Pty Limited	Australia	100	100
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
H C Extractions Pty Limited	Australia	100	100
International Oil Proprietary Ltd	Australia	100	100
Inversiones AGL Chile Limitada	Chile	100	100
Liquigas Limited ^(a)	New Zealand	60	60
Navham Pty Limited	Australia	100	100
NGC Australia Metering Data Services Limited ^{(a)(c)}	New Zealand	100	-
NGC Contracts Limited ^(a)	New Zealand	100	100
NGC Kapuni Limited ^(a)	New Zealand	100	100
NGC Equities Limited ^(a)	New Zealand	100	100
NGC Energy Limited ^(a)	New Zealand	100	100
NGC Finance Limited ^{(a)(b)}	New Zealand	-	100
NGC Gas Networks Limited ^(a)	New Zealand	100	100
NGC Generation Limited ^(a)	New Zealand	100	100
NGC Generation Holdings Limited ^{(a)(d)}	New Zealand	-	100
NGC Generation Operations Limited ^(a)	New Zealand	100	100
NGC Holdings Limited ^(a)	New Zealand	66	66
NGC Limited ^(a)	New Zealand	100	100
NGC Loans Limited ^(a)	New Zealand	100	100
NGC Management Limited ^(a)	New Zealand	100	100
NGC Metering Limited ^{(a)(d)}	New Zealand	100	-
NGC Metering Data Limited ^{(a)(c)}	New Zealand	100	-
NGC Nominees Limited ^(a)	New Zealand	100	100
NGC New Zealand Limited ^(a)	New Zealand	100	100
NGC Trading Limited ^(a)	New Zealand	100	100
NGC Waikato Limited ^{(a)(b)}	New Zealand	-	100
On Gas Limited ^(a)	New Zealand	100	100
Porta-Gas Pty Limited	Australia	100	100
Radius Operations Pty Limited	Australia	100	100
Tauranga Civic Holdings Limited ^(a)	New Zealand	100	100
The North Shore Gas Company Pty Limited	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) Deregistered/liquidated/amalgamated during the 2004 financial year.

(c) Acquired during the 2004 financial year.

(d) Name changed during the 2004 financial year.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 42 - Interests in unincorporated joint venture operations

Joint venture	Joint venture interest		Principal activity
	2004 %	2003 %	
Kapuni Energy	50	50	Electricity and steam generation - New Zealand
Mid West Energy*	50	50	Power generation - Western Australia

*AGL's interest in the Mid West Energy JV was written off as at 31 December 2003.

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	
	2004 \$m	2003 \$m
Current assets		
Cash	0.3	-
Receivables	0.7	0.6
Inventories	0.1	-
Other	0.4	0.3
Total current assets	1.5	0.9
Non-current assets		
Property, plant and equipment	12.1	22.8
Total non-current assets	12.1	22.8
Total assets	13.6	23.7
Current liabilities		
Payables	0.7	1.2
Total current liabilities	0.7	1.2
Total liabilities	0.7	1.2
Net investment in joint venture operations	12.9	22.5

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	
		2004 %	2003 %	2004 \$m	2003 \$m		
Agility Diona	Provision of water mains construction services	50.0	50.0	0.2	-	30 June	
ActewAGL Auscom Holdings Pty Limited	Provision of energy and water services	50.0	50.0	333.0	327.7	30 June	
	Distribution and sale of LPG	50.0	50.0	86.9	88.0	31 December	
				420.1	415.7		
						Consolidated	
						2004 \$m	
						2003 \$m	
Consolidated entity's share of assets and liabilities:							
Current assets						112.8	115.0
Non-current assets						544.6	536.3
Current liabilities						(82.2)	(97.6)
Non-current liabilities						(108.3)	(96.0)
Net assets						466.9	457.7
Consolidated entity's share of joint venture entities':							
Revenues from ordinary activities						636.4	623.5
Expenses from ordinary activities						(565.0)	(563.9)
Profits from ordinary activities before tax						71.4	59.6
Income tax expense relating to ordinary activities						(5.9)	(5.1)
Profit after tax						65.5	54.5
The consolidated entity's share of capital expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 36 and 38 respectively.							
Retained profits and reserves of the consolidated entity attributable to joint venture entities:							
At beginning of financial year:		Retained profits		13.6		6.2	
		Reserves		-		-	
At end of financial year:		Retained profits		14.7		13.6	
		Reserves		-		-	
Movements in the carrying amount of investments in joint venture entities:							
At beginning of financial year						415.7	408.3
Dividends received						(63.0)	(49.0)
Share of equity accounted profits						65.5	54.5
Unrealised profits recognised						1.9	1.9
At end of financial year						420.1	415.7

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 a joint venture entity.

Notes to the Financial Statements

For the year ended 30 June 2004

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
		2004 %	2003 %	2004 \$m	2003 \$m	
Australian Pipeline Trust	Transmission of natural gas and management of gas pipelines	30.0	30.0	64.0	37.0	30 June
COMindico Holdings Pty Ltd	Telecommunications services	35.9	35.9	-	19.5	30 June
Great Energy Alliance Corporation Pty Ltd#	Electricity generation	32.5	-	111.6	-	31 December
Energy Intellect Limited	Metering	25.0	-	4.4	-	30 June
Other				1.1	2.0	
				181.1	58.5	

In addition to the a disclosed in this financial report as loans to associates (refer Note 13). The aggregate amount invested in GEAC totals \$214.6 million.

Summarised assets, liabilities and profits of associates

Names of associates	Assets*		Liabilities*		Profits/(losses) after tax*	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Australian Pipeline Trust	1,435.3	1,410.7	989.5	962.9	126.6	54.6
COMindico Holdings Pty Ltd	175.1	176.9	143.1	112.3	(44.3)	(64.7)
Great Energy Alliance Corporation Pty Ltd	3,966.4	-	3,761.1	-	8.3	-
Other	9.4	20.4	0.6	7.7	(1.5)	1.3
	5,586.2	1,608.0	4,894.3	1,082.9	89.1	(8.8)

* Estimated

Note 44 - Interests in associates (continued)

	Consolidated	
	2004	2003
	\$m	\$m
Consolidated entity's share of associates:		
Profits (losses) from ordinary activities before tax	(2.0)	(31.3)
Income tax expense attributable to profits from ordinary activities [#]	23.3	(7.5)
Profits (losses) after tax	21.3	(38.8)

[#] Includes \$27.9 million tax income tax benefit arising from APT's decision to enter the "Tax Consolidations" regime which it announced on 29 July 2004.

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	(37.1)	11.4
	Reserves	0.7	0.7
At end of financial year:	Retained profits (losses)	(11.1)	(37.1)
	Reserves	-	0.7

Movements in the carrying amount of investments in associates:

At beginning of financial year	58.5	38.3
Additional investments in associates	122.4	-
Writedown of investments in associates	(7.6)	-
Investments no longer equity accounted	(2.0)	-
Adjustment on investment becoming an associate	-	72.0
Return of capital received	(3.2)	(3.3)
Dividends received	(11.1)	(12.8)
Movements due to changes in foreign currency exchange rates	(0.3)	-
Share of equity accounted profits (losses)	21.3	(38.8)
Unrealised profits recognised	3.1	3.1
At end of financial year	181.1	58.5

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 that associate.

Notes to the Financial Statements

For the year ended 30 June 2004

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
		211.7	218.5	(6.8)	211.4

(a) At net market value.

(b) All assets of

At 30 June 2004 the estimated sub-plan assets were \$179.9 million and the estimated vested benefits were \$163.7 million.

(c) At 30 June 2004 the plan assets were \$2.1 million and the estimated vested benefits were \$2.1 million. The triennial actuarial assessment has been deferred due to

(d) At 30 June 2004 the plan assets were \$55.8 million and the estimated vested benefits were \$53.4 million.

(e) The unfunded balance of the scheme is being progressively funded over a five year period through additional company contributions. At 30 June 2004 a provision for \$1.9 million of the scheme.

Contributions by employer entities in the consolidated entity to defined benefit superannuation plans during the year amounted to \$27.0 million (2003 \$25.1 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 seven 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 1,060,757 ordinary shares of the Parent Entity have been issued to employees pursuant to the plan between the date of its inception and 30 June 2004, including 199,392 shares issued during the 2004 financial year. The total market value of these 199,392 shares at the issue date was \$2,126,000 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.

At 30 June 2004 there were 71 participants in the plan involving a total of 1,720,275 ordinary shares of the Parent Entity. A total of 4,104,275 ordinary shares of the Parent Entity have been acquired by employees pursuant to the plan between the date of its inception and 30 June 2004. Outstanding loans to participants at 30 June 2004 amounted to \$14,239,532 (2003 \$17,021,806).

(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 freed from restriction, with the holding statements being held by the trustee of the plan until the shares are free from restriction.

At 30 June 2004, there were 140 participants in the plan involving a total of 407,847 ordinary shares of the Parent Entity. There is an ongoing invitation for directors and employees to acquire additional shares.

A total of 539,992 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 2004, including 85,457 shares acquired during the 2004 financial year. The total market value of these 85,457 shares at the acquisition dates was \$912,151 and the total amount received from directors and employees for these shares was \$912,151.

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 2004 there were 22 participants in the plan involving a total of 756,650 ordinary shares of the Parent Entity. Outstanding loans to participants at 30 June 2004 amounted to \$1,409,614 (2003 \$2,155,706).

Notes to the Financial Statements

For the year ended 30 June 2004

Note 45 - Employee benefits (continued)

Long term incentive plan (LTIP)

(i) Rights granted during the reporting period

The following table summarises information about rights granted under the terms of the LTIP as equity compensation to certain employees, during the year. The rights were issued free of charge. Each right entitles the holder to fully paid ordinary shares in the Parent Entity. The rights vest over a three year period.

Number granted	Grant date	Value per right at grant date* \$	Number vested*	Number lapsed	Number outstanding
531,730	1/09/03	10.86	102,306	2,456	426,968
45,000	1/03/04	11.23	-	-	45,000
12,500	16/04/04	11.59	-	-	12,500

The weighted average of the price at which shares were traded on the ASX during the five days up to and including the consolidated entity's financial results announcement date.

* Refer (ii).

(ii) Rights vested during the reporting period

The following table summarises information about rights vested under the terms of the LTIP to certain employees, during the year:

Number vested	Grant date	Market vesting date	Value at vesting date \$	Fair value of shares issued \$
34,144	1/09/03	17/09/03	10.54	359,878
19,918	1/09/03	10/10/03	10.64	211,928
4,644	1/09/03	7/11/03	10.72	49,784
5,439	1/09/03	23/12/03	11.13	60,536
19,890	1/09/03	30/01/04	10.98	218,392
4,432	1/09/03	12/03/04	11.49	50,924
2,225	1/09/03	31/3/04	11.60	25,810
5,779	1/09/03	8/04/04	11.67	67,441
5,835	1/09/03	30/04/04	11.65	67,978

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Aggregate employee benefits liability	78.1	81.0	12.8	11.2

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	3,239	3,288	168	162
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Note 46 - Additional 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	G J W Martin	Sir Ronald Brierley
A B Daniels	C J Hewson	M R G Johnson
M J Phillips	G J Reaney	M G Ould

Transactions between the Parent Entity and controlled entities

Sale of natural gas on normal commercial terms and conditions 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 \$1.3 million (2003 \$1.2 million) to NGC Limited, an entity controlled by NGC Holdings Limited, on normal commercial terms and conditions.

Transactions with other related entities

		2004 \$m	2003 \$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.	39.2	36.0
	A controlled entity provided pipeline construction and project consulting services on normal commercial terms and conditions.	0.6	13.5
Great Energy Alliance Corporation Pty Ltd	Controlled entities settled electricity hedges with Great Energy Alliance Corporation on normal terms and conditions.	15.6	-
Gascor Pty Limited	A controlled entity purchased gas management and administration services from Gascor Pty Limited on normal commercial terms and conditions.	0.5	-
Energy Intellect Limited	Controlled entities purchased data metering and management services from Energy Intellect Limited on normal commercial terms and conditions.	0.7	-
ActewAGL Joint Venture	A controlled entity sold to the partnership of the ActewAGL joint venture various assets on normal commercial terms and conditions.	-	9.5
	Controlled entities purchased from the partnership of the	-	9.5
	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.	27.1	29.7
	Controlled entities supplied electricity and gas to the retail partnership on normal commercial terms and conditions.	57.8	45.4
East Australian Pipeline Limited	A controlled entity was provided with natural gas transportation services by East Australian Pipeline Limited, on normal commercial terms and conditions.	80.3	75.2
Wanganui Gas Limited	A controlled entity supplied natural gas to Wanganui Gas Limited on normal commercial terms and conditions.	-	4.9
Agility Diona Joint Venture	A controlled entity provided pipeline construction and project consulting services on normal commercial terms and conditions.	2.2	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 47 - Cash flow information				
(a) Reconciliation of cash				
Cash	18.0	56.5	2.8	3.1
Bank overdrafts and money market borrowings	(16.6)	(6.1)	(10.0)	(3.8)
	1.4	50.4	(7.2)	(0.7)

(b) Financing facilities

Credit standby arrangements				
Amounts used	426.6	647.0	249.0	647.0
Amounts unused	1,296.7	1,483.8	1,201.0	1,003.0
	1,723.3	2,130.8	1,450.0	1,650.0

Credit standby arrangements had the following maturity pattern and were able to be drawn down without restriction.

Not later than 1 year	423.3	718.5	150.0	500.0
Later than 1 year, not later than 5 years	1,300.0	1,412.3	1,300.0	1,150.0
	1,723.3	2,130.8	1,450.0	1,650.0
Other financing arrangements - amounts used	2,177.1	1,799.0	1,706.2	1,744.0

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 2004 (2003 nil).

(d) Reconciliation of net cash provided by operating activities to profit (loss) from ordinary activities after income tax

Profit (loss) from ordinary activities after income tax	379.5	339.9	(6.4)	1,013.2
Equity share of associates' (profits) losses	(24.4)	35.8	-	-
Equity share of joint venture entities' profits	(67.4)	(56.4)	-	-
Dividends received from associates	11.1	12.8	-	-
Dividends received from joint venture entities	63.0	49.0	-	-
Depreciation, amortisation and diminution in value of assets	286.7	269.8	105.1	1.7
(Decrease) increase in provisions	(39.1)	(41.0)	95.8	65.1
Loss (profit) on sale of property, plant and equipment	1.6	(14.9)	24.7	(13.4)
Loss on sale of investments	-	4.0	-	-
Profit on disposal of controlled entities and businesses	-	(63.7)	-	-
Dingo Blue settlement	(16.2)	-	-	-
Changes in assets and liabilities				
(Increase) decrease in receivables	(28.0)	147.5	(3.1)	(0.2)
(Increase) decrease in inventories	(11.4)	0.4	-	-
Decrease (increase) in other assets	2.9	(37.2)	0.6	1.7
Increase (decrease) in creditors	13.5	(221.7)	9.1	3.3
(Decrease) increase in other liabilities	(5.8)	6.9	-	-
Decrease (increase) in interest receivable accrued	0.4	0.7	(2.6)	-
Increase in net interest payable accrued/prepaid	1.7	1.2	3.6	-
Increase in income taxes payable	69.1	109.1	0.2	6.6
Net cash provided by operating activities	637.2	542.2	227.0	1,078.0

	Consolidated		Parent Entity	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Note 47 - Cash flow information (continued)				
(e) Businesses acquired by the consolidated entity				
Consideration				
Cash	-	24.2	-	-
Fair value of net assets acquired				
Receivables	-	251.2	-	-
Other financial assets	-	-	-	-
Inventories	-	3.3	-	-
Property, plant and equipment	-	31.9	-	-
Intangible assets	-	881.9	-	-
Tax assets	-	47.7	-	-
Other assets	-	16.4	-	-
Payables	-	(151.5)	-	-
Interest bearing liabilities	-	(931.0)	-	-
Tax liabilities	-	(29.3)	-	-
Provisions	-	(96.4)	-	-
Net assets acquired	-	24.2	-	-
Net cash outflow on acquisition				
Cash consideration	-	24.2	-	-
(f) Businesses disposed of by the consolidated entity				
Consideration				
Cash	-	580.0	-	-
Book value of net assets sold				
Cash	-	8.4	-	-
Receivables	-	20.3	-	-
Other financial assets	-	12.2	-	-
Property, plant and equipment	-	450.9	-	-
Intangible assets	-	50.6	-	-
Tax assets	-	5.9	-	-
Other assets	-	0.2	-	-
Payables	-	(12.4)	-	-
Tax liabilities	-	(19.8)	-	-
Net assets disposed	-	516.3	-	-
Profit on disposal	-	63.7	-	-
	-	580.0	-	-
Net cash inflow on disposal				
Cash consideration	-	580.0	-	-
Less cash balances disposed	-	8.4	-	-
Inflow of cash	-	571.6	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

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, Pohokura and Kapuni gas fields 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 interest rates		Notional principal amounts	
	2004 %	2003 %	2004 \$m	2003 \$m
Less than 1 year	6.0	5.5	892.7	686.0
1 to 5 years	6.1	5.0	1,768.5	2,072.7
Longer than 5 years	6.0	4.9	851.8	1,034.2
			3,513.0	3,792.9

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 hedging different risks resulting in the aggregate notional principal amount (\$3,513.0 million (2003 \$3,792.9 million)) exceeding the Australian dollar equivalent of the borrowings (\$2,157.0 million (2003 \$1,975.2 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:

	2004 \$m	2003 \$m
Buy United States dollars		
Less than 6 months, at rates averaging (2003 US\$0.6349)	-	157.5
3 to 4 years, at rates averaging US\$0.6605 (2003 US\$0.6605)	575.3	575.3
Longer than 5 years, at rates averaging US\$0.6790	220.9	-
	796.2	732.8

The net deferred loss on hedges of foreign currency borrowings at 30 June 2004 is \$nil million (2003 \$2.1 million).

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.

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:

	2004 \$m	2003 \$m
Sell United States dollars		
Less than 6 months, at rates averaging US\$0.7052 (2003 US\$0.6521)	17.5	15.7

Notes to the Financial Statements

For the year ended 30 June 2004

Note 49 - Additional financial instruments disclosures (continued)

The net deferred gain on hedges of foreign currency investments at 30 June 2004 of \$0.1 million (2003 gain of \$0.1 million) will be recognised in the foreign currency translation reserve within 6 months of the reporting date.

There are no unsecured bank borrowings at 30 June 2004 (2003 \$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	
	2004 \$m	2003 \$m
Electricity hedging contracts		
Less than 1 year	1,095.3	1,364.1
1 to 5 years	1,620.9	2,280.6
Longer than 5 years	114.5	147.7
	2,830.7	3,792.4

The net unrecognised loss in respect of electricity hedging contracts at 30 June 2004 was \$333.2 million (2003 \$657.2 million loss). All contracts are due for settlement within 11 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) Liquid Petroleum Gas purchase risk management

Exposure to fluctuations in wholesale market Liquid Petroleum Gas (LPG) prices is minimised through the use of hedging contracts. The consolidated entity manages the exposures from its base load of LPG sales. In doing so the consolidated entity has entered into forward contracts at which the sale price of LPG is fixed. The terms and face values of the consolidated entity's outstanding LPG hedging contracts at the reporting date are detailed in the following table:

	Face values	
	2004 \$m	2003 \$m
LPG hedging contracts		
Less than 1 year	4.4	-

Note 49 - Additional financial instruments disclosures (continued)

(e) 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 2004, 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:

	2004 \$m	2003 \$m
Amounts receivable in respect of:		
Interest rate contracts	22.4	155.9
Foreign exchange contracts	0.1	0.2
Electricity hedging contracts	64.2	50.0
	86.7	206.1

(f) 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.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 49 - Additional financial instruments disclosures (continued)

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	
		2004 \$m	2003 \$m	2004 \$m	2003 \$m
Financial assets					
Not readily traded on organised markets					
Cash (including deposits at call)	-	18.0	56.5	18.0	56.5
Debtors	9 and 13	403.2	405.2	403.2	405.2
Unbilled revenue	9	403.7	375.2	403.7	375.2
Loans receivable	9 and 13	17.4	25.2	17.4	25.2
Other receivables	9 and 13	147.4	33.6	147.4	33.6
Other financial assets	15	2.0	25.0	2.0	25.0
Favourable foreign exchange contracts	-	-	-	0.1	0.2
Favourable interest rate contracts	-	-	-	22.5	155.9
Favourable electricity hedging contracts	-	64.2	49.6	64.2	50.0
		1,055.9	970.3	1,078.5	1,126.8
Financial liabilities					
Not readily traded on organised markets					
Creditors	21	442.3	431.1	442.3	431.1
Other payables	21	13.8	14.7	13.8	14.7
Bank borrowings	22 and 27	290.0	285.4	290.0	285.4
Bank overdrafts	22	6.6	6.1	6.6	6.1
Promissory notes	22	-	115.0	-	114.6
Medium term notes	22 and 27	1,082.2	900.0	1,119.3	936.8
Senior notes	22 and 27	796.2	725.2	885.1	814.1
Other interest bearing liabilities	22 and 27	14.7	15.4	14.7	15.4
Unfavourable interest rate contracts	-	-	-	7.6	46.4
Unfavourable electricity hedging contracts	-	-	-	355.8	657.6
Unfavourable commodity hedging contracts	-	-	-	0.1	-
		2,645.8	2,492.9	3,135.3	3,322.2

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.

Note 49 -ditional financial instruments disclosures (continued)**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:

2004	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)	3.4	18.0	-	-	-	-	18.0
Debtors	-	-	-	-	-	403.2	403.2
Unbilled revenue	-	-	-	-	-	403.7	403.7
Loans receivable	8.5	-	0.1	0.4	1.2	15.7	17.4
Other receivables	10.0	-	-	-	103.0	44.4	147.4
Other financial assets	-	-	-	-	-	2.0	2.0
Interest rate contracts ^{(a) (b)}	5.9	864.0	(68.2)	(545.8)	(250.0)	-	-
		882.0	(68.1)	(545.4)	(145.8)	869.0	991.7
Financial liabilities							
Creditors	-	-	-	-	-	442.3	442.3
Other payables	-	-	-	-	-	13.8	13.8
Bank borrowings	6.0	-	228.0	52.0	-	-	280.0
Bank overdrafts	6.0	6.6	-	-	-	-	6.6
Money market borrowings	5.4	10.0	-	-	-	-	10.0
Medium term notes	6.8	-	300.0	507.2	275.0	-	1,082.2
Senior notes	6.2	-	-	378.5	417.7	-	796.2
Other interest bearing liabilities	5.9	-	1.5	12.9	0.3	-	14.7
Interest rate contracts ^{(a) (c)}	6.4	(363.2)	324.4	208.4	(169.6)	-	-
		(346.6)	853.9	1,159.0	523.4	456.1	2,645.8

(a) Notional principal amounts.

(b) Comprises \$1,539.0 million of fixed to floating swaps offset by \$675.0 million of floating to fixed swaps.

(c) Comprises \$831.1 million of fixed to floating swaps offset by \$467.9 million of floating to fixed swaps.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 49 - Additional financial instruments disclosures (continued)

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)	-	-
		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	-	-
		(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.

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 - Impact of adopting Australian equivalents to International Financial Reporting Standards

AGL will be required to prepare financial statements using the Australian equivalents to International Financial Reporting Standards (IFRSs) for the financial year beginning 1 July 2005. AGL's first financial report using IFRSs will be for the half year ended 31 December 2005.

To manage the convergence to IFRSs, a project team has been established reporting to a Steering Committee which is chaired by AGL's Chief Financial Officer. The Steering Committee monitors the progress of the project. Project status reports are provided on a regular basis to the Board's Audit and Risk Management Committee. Internal resources have been allocated to specific areas of impact and external consultants have been engaged to provide advice.

Adoption of IFRSs is likely to result in changes to accounting policies and processes. Based on current information, the key differences in accounting policies that are expected to arise in AGL as a result of adoption of IFRSs are summarised in the following table. At this stage it is not possible to reliably quantify the impacts on the financial report.

(a) AASB 2 - Share Based Payments

AGL has several employee share ownership plans which are outlined in Note 45. AASB 2 applies to all share based payments that were issued after 7 November 2002 but have not vested by 1 January 2005. This standard requires share based payments to be measured at fair value at grant date and expensed over the period until they vest. This may result in a change to current accounting policy, which does not require share based payments to be expensed.

(b) AASB 3 - Business Combinations

Under this standard goodwill will no longer be amortised but will be subject to annual impairment testing. If there is any impairment, the goodwill will be written down in the Statement of Financial Performance. This may result in a change to current accounting policy which requires goodwill to be 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 amortisation of goodwill recorded by AGL for the year ended 30 June 2004 was \$5.1 million.

(c) AASB 112 - Taxation

Current accounting policy is to apply the liability method of tax effect accounting. Under this method, income tax expense is based on profit from ordinary activities adjusted for any permanently non-allowable and non-assessable items (the "Income Statement" approach). Deferred tax assets and liabilities are recognised for timing differences which occur when revenue and expense items are allowed for income tax purposes in a period different to that for accounting. AASB 112 adopts a "Balance Sheet" approach which recognises deferred tax amounts for any differences between the accounting and tax value of assets and liabilities. As AASB 112 has a "Balance Sheet" approach to the calculation of deferred tax amounts rather than an "Income Statement" approach, this standard may result in the recognition of more or less tax assets and tax liabilities. In addition the income tax expense and deferred tax amounts calculated under AASB 112 may be affected by other IFRSs to the extent that they impact on the carrying value of assets and liabilities in the Statement of Financial Position.

(d) AASB 119 - Employee Benefits

As outlined in Note 45, AGL sponsors a number of defined benefit superannuation plans for employees. This standard requires the recognition of an asset or liability for the net difference between the defined benefit obligation and the fair value of the plan assets. Movements in the net position will be reflected in the Statement of Financial Performance. AGL's current policy is to provide for any present obligation to fund a shortfall in the net market value of defined benefit plan assets compared to the estimated members' benefits. As this calculation is different to that required under AASB 119, and as AGL has not recognised assets for actuarial surpluses, adoption of this standard may result in a change to AGL's current accounting policy. The initial adjustment on transition will be through retained earnings and subsequent adjustments will be to the Statement of Financial Performance for the relevant period.

(e) AASB 138 - Intangible Assets

AGL has two types of intangible assets, goodwill and licences. Assets currently classified as licences may not meet the definition under this standard and may be recognised instead as goodwill. Distribution Licences are not amortised as they have an indefinite life. Retail licences are amortised over the period during which the future benefits are expected to arise. If Retail licences are considered to be goodwill under IFRS, there will be a change to the amount of amortisation charged to the Statement of Financial Performance.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 50 - Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(f) AASB 139 - Financial Instruments: Recognition and Measurement

This standard requires all derivatives to be measured at fair value on the Statement of Financial Position regardless of the use of the derivative. This standard is expected to result in key differences in accounting policy. This standard has stricter criteria for the adoption of hedge accounting and, where these are not met, movements in the fair value of derivatives will result in impacts to the Statement of Financial Performance. AGL uses derivatives to help manage exposures to wholesale electricity and gas price fluctuations. These derivatives will mainly be classified as cash flow hedges as defined under this standard.

Any gain or loss on fully effective cash flow hedges will be recognised in equity. The gain or loss will be released from equity at the same time the change in the underlying hedged item is recognised in the Statement of Financial Performance. Any gain or loss on any ineffective portion of a qualifying cash flow hedge will be immediately recognised in the Statement of Financial Performance.

AGL also uses treasury derivatives to help manage exposures to interest rate and foreign exchange movements. These derivatives will mainly be fair value hedges as defined under this standard.

Any gain or loss on fair value hedges will be recorded in the Statement of Financial Performance and will be offset by the movement in the fair value of the hedged item to the extent that the hedge is effective. Any ineffectiveness will, by default, be recognised in the Statement of Financial Performance. AGL currently applies hedge accounting to derivatives, and are only recorded in the Statement of Financial Performance on settlement. Refer to Note 49 for specific details of AGL's accounting policy on financial derivatives.

(g) AASB 1 - First Time Adoption of Australian International Financial Reporting Pronouncements

This standard establishes guidance for entities that are preparing IFRS compliant statements for the first time. Generally the standard requires an entity to retrospectively apply each IFRS in an entity's first IFRSs financial report. AGL's first IFRS financial report will be the interim financial report for the period ending 31 December 2005. AGL's date of transition to Australian equivalents to IFRSs is 1 July 2004 and AGL will be required to prepare an opening Statement of Financial Position at that date.

Financial statements under current Australian accounting standards are still required to be prepared for the year commencing 1 July 2004. Opening adjustments to comply with retrospective application of all of the IFRS standards will be made to retained earnings except for adjustments to intangibles acquired in a business combination which will be made against goodwill rather than retained earnings. The standard provides some mandatory exemptions to the retrospective application of some IFRS and some voluntary exemptions. AGL is analysing the voluntary options and has not yet finalised its decision in regards to those options.

Note 51 - 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.

Directors' Declaration

For the year ended 30 June 2004

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 R G Johnson
Chairman



G J W Martin
Director

Sydney, 26 August 2004

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 cashflows, 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 2004 as set out on pages 1 to 59. 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 members 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 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 2004 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 B Hutchison
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).