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**The Australian Gas Light Company
and Subsidiaries**

**Full Financial Report
for the year ended 30 June 2006**



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
FULL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

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THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Continuing operations					
Revenue	3	4,239.0	3,871.1	463.7	566.7
Other income	4	29.1	19.7	108.9	14.9
Expenses	5	(3,428.0)	(3,426.7)	(335.1)	(422.3)
Share of profits of associates and jointly controlled entities using the equity method	17	100.8	83.5	-	-
Profit before finance costs, depreciation and amortisation		940.9	547.6	237.5	159.3
Depreciation and amortisation	6	(205.6)	(159.7)	(2.2)	(1.8)
Profit before finance costs		735.3	387.9	235.3	157.5
Finance costs	6	(143.8)	(89.2)	(211.9)	(125.9)
Profit from continuing operations before income tax		591.5	298.7	23.4	31.6
Income tax (expense)/income	7	(134.5)	(54.4)	82.7	(32.3)
Profit from continuing operations after income tax		457.0	244.3	106.1	(0.7)
Profit from discontinued operations	45	-	680.2	-	-
Profit for the period		457.0	924.5	106.1	(0.7)
Profit attributable to minority interest		-	(20.1)	-	-
Profit attributable to shareholders of the Parent Entity		457.0	904.4	106.1	(0.7)
Earnings per share					
Basic (cents per share)	36	100.2	198.1		
Diluted (cents per share)	36	100.0	197.8		
Earnings per share from continuing operations					
Basic (cents per share)	36	100.2	53.5		
Diluted (cents per share)	36	100.0	53.4		

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



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
BALANCE SHEETS
AS AT 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Current assets					
Cash and cash equivalents	9	109.0	394.2	32.0	381.9
Trade and other receivables	10	940.8	807.0	13.2	26.0
Inventories	11	31.4	14.0	-	-
Other financial assets	12	198.5	-	3.0	-
Other assets	13	14.7	56.3	0.5	1.0
Non-current assets classified as held for sale	14	-	15.2	-	14.2
Total current assets		1,294.4	1,286.7	48.7	423.1
Non-current assets					
Trade and other receivables	15	22.3	0.4	-	-
Investments accounted for using the equity method	17	1,009.4	971.9	-	-
Exploration and evaluation assets	18	51.5	-	-	-
Oil and gas assets	19	498.5	-	-	-
Property, plant and equipment	20	4,602.4	3,782.4	31.0	8.5
Intangible assets	21	2,402.4	1,556.1	2.6	3.3
Deferred tax assets	7	303.6	127.0	36.6	127.7
Other financial assets	16	256.3	123.4	7,409.2	5,314.6
Other assets	22	47.0	33.0	31.5	17.3
Total non-current assets		9,193.4	6,594.2	7,510.9	5,471.4
Total assets		10,487.8	7,880.9	7,559.6	5,894.5
Current liabilities					
Trade and other payables	23	511.7	433.4	480.6	338.0
Borrowings	24	2,009.0	236.4	2,000.0	190.3
Provisions	26	59.5	60.3	16.8	22.5
Current tax liabilities		28.8	86.0	20.9	67.3
Other financial liabilities	25	224.0	-	3.0	-
Other liabilities	27	3.6	8.9	-	0.2
Total current liabilities		2,836.6	825.0	2,521.3	618.3
Non-current liabilities					
Trade and other payables	28	-	-	1,135.3	984.2
Borrowings	29	1,421.1	1,406.8	1,362.5	1,396.2
Provisions	31	52.5	46.0	6.2	9.8
Deferred tax liabilities	7	1,127.0	945.8	56.1	376.0
Other financial liabilities	30	260.7	-	105.9	-
Other liabilities	32	25.6	5.3	20.2	-
Total non-current liabilities		2,886.9	2,403.9	2,686.2	2,766.2
Total liabilities		5,723.5	3,228.9	5,207.5	3,384.5
Net assets		4,764.3	4,652.0	2,352.1	2,510.0
Equity					
Issued capital	33	1,997.3	2,010.1	1,997.3	2,010.1
Reserves	34	(36.1)	(8.6)	21.7	(4.1)
Retained earnings	35	2,803.1	2,650.5	333.1	504.0
Total equity		4,764.3	4,652.0	2,352.1	2,510.0

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



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Cash flows from operating activities					
Receipts from customers		5,012.0	4,842.3	284.2	267.8
Payments to suppliers and employees		(4,345.4)	(4,139.6)	(345.5)	(341.4)
Dividends received		83.6	92.8	190.0	78.6
Finance income received		19.9	25.0	17.1	218.3
Finance costs paid		(164.6)	(116.1)	(171.3)	(104.4)
Income taxes paid		(169.5)	(147.0)	(120.0)	(132.4)
Net cash provided by/(used in) operating activities	50(d)	<u>436.0</u>	<u>557.4</u>	<u>(145.5)</u>	<u>(13.5)</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(270.0)	(197.5)	(16.6)	(9.9)
Payments for exploration and evaluation		(49.4)	-	-	-
Payments for oil and gas assets		(557.1)	-	-	-
Payments for investments		(1.6)	(22.0)	(459.5)	(22.0)
Payments for intangibles		(0.7)	(0.2)	-	-
Payments for acquisition of businesses/subsidiaries	43	(1,455.2)	(19.0)	-	-
Loans advanced		(12.3)	(18.2)	(11.4)	(18.2)
Proceeds from sale of property, plant and equipment		46.7	47.4	52.5	43.7
Proceeds from disposal of investments		-	1.1	-	1.1
Proceeds from disposal of subsidiaries	45	-	777.8	-	-
Proceeds from loan repayments		11.0	20.1	11.0	15.4
Net cash provided by/(used in) investing activities		<u>(2,288.6)</u>	<u>589.5</u>	<u>(424.0)</u>	<u>10.1</u>
Cash flows from financing activities					
Capital return		-	(228.7)	-	(228.7)
On market share purchases		(20.7)	-	(20.7)	-
Proceeds from borrowings and hedge receipts on foreign currency borrowings		2,496.8	445.4	2,489.9	173.5
Repayment of borrowings and hedge payments on foreign currency borrowings		(610.9)	(539.2)	(610.0)	(300.0)
Loans (advanced to)/repaid by subsidiaries		-	-	(1,336.7)	1,152.4
Dividends paid		(287.6)	(448.6)	(287.6)	(420.0)
Net cash provided by/(used in) financing activities		<u>1,577.6</u>	<u>(771.1)</u>	<u>234.9</u>	<u>377.2</u>
Net increase/(decrease) in cash held		(275.0)	375.8	(334.6)	373.8
Cash at the beginning of the financial year		377.0	1.4	366.6	(7.2)
Effect of exchange rate changes on the balance of cash held in foreign currencies		0.1	(0.2)	-	-
Cash at the end of the financial year	50(a)	<u>102.1</u>	<u>377.0</u>	<u>32.0</u>	<u>366.6</u>

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



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Cash flow hedges:					
Gain/(loss) taken to equity	34	(16.5)	-	17.1	-
Transferred to profit or loss for the period	34	112.5	-	0.2	-
Net gain/(loss) on hedge of net investment in foreign operations	34	1.6	-	-	-
Foreign exchange translation differences	34	17.3	19.5	-	-
Actuarial gain/(loss) on defined benefit superannuation plans		15.2	(3.7)	15.2	(3.7)
Share of decrements in reserves and retained earnings attributable to associates and jointly controlled entities		(0.9)	(5.4)	-	-
Income tax on items taken directly to or transferred from equity		(23.4)	1.1	(9.8)	1.1
Net income/(expense) recognised directly in equity		105.8	11.5	22.7	(2.6)
Profit for the period		457.0	924.5	106.1	(0.7)
Total recognised income and expense for the period		562.8	936.0	128.8	(3.3)
Attributable to:					
Shareholders of the Parent Entity		562.8	915.9	128.8	(3.3)
Minority interest		-	20.1	-	-
		<u>562.8</u>	<u>936.0</u>	<u>128.8</u>	<u>(3.3)</u>

Reconciliation of statement of recognised income and expense to equity movements

	Consolidated	
	Reserves \$m	Retained earnings \$m
Balance at 30 June 2005	(8.6)	2,650.5
Current period adjustments	92.4	13.4
* A-IFRS transitional adjustments current period	(123.3)	(30.4)
Movement in reserves and retained earnings not reflected in statement of recognised income and expense above:		
Share-based payment transactions	3.4	-
Profit for the period	-	457.0
Dividends paid	-	(287.4)
Balance at 30 June 2006	<u>(36.1)</u>	<u>2,803.1</u>
* A-IFRS transitional adjustments current period		
Fair value at date of transition of qualifying hedges	(176.2)	-
Income tax (expense)/income	52.9	-
Share of increments in earnings attributable to associates	-	19.3
Fair value at date of transition of derivatives that do not qualify as hedges	-	(71.0)
Income tax (expense)/income	-	21.3
	<u>(123.3)</u>	<u>(30.4)</u>

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



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Interpretations. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (A-IFRS).

Compliance with A-IFRS ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards except for the disclosure requirements in IAS 32 *Financial Instruments: Disclosure and Presentation*. The Australian equivalent Accounting Standard, AASB 132 *Financial Instruments: Disclosure and Presentation* does not require such disclosures to be presented by the Parent Entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

This is the first financial report prepared based on A-IFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The consolidated entity has not restated comparative financial information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the financial report for the year ended 30 June 2005.

The financial report was authorised for issue by the Directors on 23 August 2006.

(b) Basis of preparation

At 30 June 2006 there is a deficiency in current assets to current liabilities in the consolidated balance sheet which is primarily due to the acquisition of Southern Hydro which was funded from debt facilities classified as a current liability. AGL refinanced these facilities in February 2006 with maturity dates extended for an average of 3.25 years subject to AGL's demerger proposal proceeding. Because AGL's demerger proposal did not proceed, the debt facilities will fall due for repayment on 28 November 2006. It is expected that the facilities will be refinanced before the maturity date, although the manner in which the refinancing will occur will depend on whether the transaction with Alinta will proceed.

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments which have been measured at fair value.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Parent Entity's and consolidated entity's financial position, financial performance and cash flows is discussed in Note 54.

The Directors have elected under section 334(5) of the Corporations Act 2001 to early adopt the following revised accounting standards and amendments:

AASB 119 *Employee Benefits* (December 2004);
AASB 2005-1 (amendments to AASB 139 *Financial Instruments: Recognition and Measurement*);
AASB 2005-3 (amendments to AASB 119 *Employee Benefits*); and
AASB 2005-6 (amendments to AASB 3 *Business Combinations*).

No other Australian Accounting Standards issued but not yet effective have been early adopted for the year ended 30 June 2006, and they are not expected to result in significant accounting policy or disclosure changes.

The accounting policies adopted have been applied consistently throughout the two reporting periods contained in the financial report with the exception of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* which are only applicable from 1 July 2005.

The Parent Entity is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the financial report are rounded off to the nearest tenth of a million dollars unless otherwise stated. The financial report is presented in Australian dollars.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(c) Principles of consolidation

The consolidated financial statements of the consolidated entity comprise The Australian Gas Light Company (Parent Entity), a company domiciled in Australia and its subsidiaries.

Control exists when the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries have been prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Adjustments have then been made to bring into line any dissimilar accounting policies that may exist across the consolidated entity.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, cash on hand and short-term money market deposits. Bank overdrafts and short-term money market borrowings are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Trade and other receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

An allowance for doubtful debts is raised when the collection of the full amount of the debt is no longer probable. Bad debts are written off when identified.

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

(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.

(g) Investments

In the Parent Entity's financial statements, investments in subsidiaries and associates are carried at the lower of cost or estimated recoverable amounts.

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

Interests in jointly controlled assets and 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.

Investments in other entities are initially recognised at cost. After initial recognition, these investments are stated at fair value less any impairment.

(h) Property, plant and equipment

Purchased assets

Items of property, plant and equipment are initially brought to account at cost which includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. For major qualifying assets, cost includes, where applicable, finance and other costs incurred during construction or represents, where applicable, the fair value of assets acquired on the purchase of subsidiaries.

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment.

Certain items of property, plant and equipment that had been revalued to fair value on 1 July 2004, the date of transition to A-IFRS, are measured on the basis of deemed cost.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the financial year the asset is derecognised.

Property, plant and equipment, other than freehold land, leasehold improvements and surplus properties held for sale, are depreciated on a straight line basis at rates based upon the expected useful lives of the assets. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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

The following estimated useful lives are used in the calculation of depreciation:

Freehold buildings	- 50 years;
Leasehold improvements	- lesser of lease period or 20 years; and
Plant and equipment	- 3 to 50 years.

Leased assets

Leases are classified as finance leases when the consolidated entity assumes substantially all the risks and rewards of ownership.

Assets held under finance leases are capitalised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the balance sheet as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Oil and gas assets

The costs of oil and gas assets in the development phase are separately accounted for as tangible assets. When commercial operation commences, the accumulated costs are transferred to oil and gas assets in production. The costs of oil and gas assets in production are separately accounted for as tangible assets and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to depletion using a unit of production method over the life of the estimated Proven plus Probable (2P) reserves. Depletion is not charged on costs carried forward in respect of assets in the development stage until production commences. Estimated reserves are determined on an annual basis.

(j) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest is accounted for using the successful efforts method. This method requires all expenditure associated with exploration and evaluation to be expensed when incurred except for the costs of successful wells and acquisition of interests in new exploration assets including licences. The costs directly associated with drilling new wells are capitalised pending evaluation of the results of the well. When the oil or gas field reaches the stage of development, the accumulated exploration and evaluation assets are transferred to development assets.

(k) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised, but is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Licences

Licences are carried at cost less any accumulated impairment losses. Licences are considered to have indefinite useful lives as they were either granted in perpetuity or there is evidence that the licences will be renewed beyond the initial term and the cost of renewal is not significant. Licences with indefinite useful lives are not amortised, but are tested for impairment annually and whenever there is an indication that the licences may be impaired. Any impairment is recognised immediately in profit or loss.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(l) Impairment

At each reporting date, the consolidated entity reviews the carrying amount of its tangible and intangible assets, other than inventories and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication of impairment. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount of the asset or cash-generating unit, it is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

A reversal of an impairment loss is recognised as an increase to the estimated recoverable amount of the asset or cash-generating unit but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition and the sale of the asset or disposal group is expected to be completed within one year from the date of classification.

(n) Trade and other payables

Trade 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.

(o) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

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.

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Goods and services tax

Revenue, 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

The following temporary differences are not provided for: initial recognition of goodwill, initial recognition of assets or liabilities (other than as a result of a business combination) that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates or jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Parent Entity and all its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 under Australian tax law. The Australian Gas Light Company is the head entity in the tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach in accordance with IJG 1052 *Tax Consolidation Accounting*. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the tax-consolidated group are recognised by the Parent Entity (as head entity in the tax-consolidated group).

The members of the tax-consolidated group have entered into a tax sharing and tax funding agreement. The tax funding agreement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The payments are recorded as intercompany receivables/payables. The intercompany receivables/payables are at call.

(s) Employee benefits

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

Liabilities for long service leave and 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 defined contributions superannuation plans are expensed when incurred.

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur.

Past service cost is recognised immediately as an expense to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(t) Share-based payments

The consolidated entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

There are currently three plans in place to provide these benefits: the AGL Share Reward Plan which provides benefits to all employees, excluding non-executive Directors; the AGL Share Purchase Plan which provides benefits to eligible employees and non-executive Directors; and the AGL Long-Term Incentive Plan which provides benefits to eligible employees, excluding non-executive Directors.

Equity-settled share-based payments granted after 7 November 2002 that were unvested at 1 January 2005, are measured at fair value at grant date and expensed over the vesting period. Fair value is measured using the share price for the Parent Entity's shares at grant date, adjusted for the non-receipt of dividends over the vesting period. Vesting is not conditional upon a market condition. The amount recognised as an expense is only adjusted when the shares or rights over shares do not vest due to non-market related conditions.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(u) Foreign currency translation

The functional and presentation currency of The Australian Gas Light Company and its Australian subsidiaries is Australian dollars. The functional currency of the subsidiaries in Chile is the Chilean Peso and for entities in New Zealand the functional currency is the New Zealand dollar. The functional currency of subsidiaries with operations in Papua New Guinea is the United States dollar.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated at the exchange rate ruling at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the income statement in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 1(v)).

Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Australian dollars at exchange rates ruling at reporting date. Revenues and expenses of foreign operations are translated at average exchange rates ruling during the year. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve and recognised in profit or loss on disposal of the foreign operation.

(v) Derivative financial instruments and hedging

The consolidated entity uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate, electricity purchase price and certain commodity price risks arising in the normal course of business. The use of derivatives is subject to policies, procedures and limits approved by the Board of Directors. Derivative transactions are not entered into for speculative purposes.

For the year ended 30 June 2006

As permitted under the A-IFRS first-time adoption transitional provisions, comparative financial information for financial instruments, including derivatives, has not been restated. The following accounting policies apply for the period from 1 July 2005.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are recognised in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of recognised assets or liabilities or firm commitments; cash flow hedges when they hedge exposure to variability in cash flows of recognised assets or liabilities, or highly probable forecast transactions; or hedges of net investments in foreign operations.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedge asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedge risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instruments relating to the effective portion of the hedge is recognised in the foreign currency translation reserve and the gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 - Statement of significant accounting policies (continued)

(v) Derivative financial instruments and hedging (continued)

For the year ended 30 June 2005

The following accounting policies for financial instruments are applicable to the comparative period and are consistent with those adopted and disclosed in the financial report for the year ended 30 June 2005.

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 income statement 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 income statement 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.

(w) Revenue recognition

Gas and electricity 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.

Revenue from the sale of crude oil is recognised after each shipment is loaded.

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

Interest income is recognised as it accrues, using the effective interest method.

Dividend income is recognised when the shareholder's right to receive the payment is established.

(x) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, amortisation of borrowing costs relating to long-term financing facilities and gains and losses on certain hedging instruments that are recognised in the income statement.

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

(y) Earnings per share (EPS)

Basic EPS is calculated as profit attributable to shareholders of the Parent Entity divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as profit attributable to shareholders of the Parent Entity divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 2 - Segment information

(a) Segment revenues

	External revenue		Other income		Inter-segment revenue		Equity accounted share of net profits		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks										
Gas Networks	66.1	59.5	0.8	1.3	261.0	278.6	-	-	327.9	339.4
Electricity Networks	93.0	81.2	(0.1)	0.1	116.1	117.8	-	-	209.0	199.1
	<u>159.1</u>	<u>140.7</u>	<u>0.7</u>	<u>1.4</u>	<u>377.1</u>	<u>396.4</u>	-	-	<u>536.9</u>	<u>538.5</u>
Agility	207.8	146.3	0.1	1.8	309.0	280.5	-	-	516.9	428.6
Retail Energy	3,393.8	3,322.7	0.8	2.0	18.9	33.8	-	0.2	3,413.5	3,358.7
Merchant Energy	357.1	172.6	3.3	(2.2)	1,543.5	359.9	11.4	0.2	1,915.3	530.5
Intra-segment sales	-	-	-	-	(1,529.1)	(359.6)	-	-	(1,529.1)	(359.6)
	<u>3,750.9</u>	<u>3,495.3</u>	<u>4.1</u>	<u>(0.2)</u>	<u>33.3</u>	<u>34.1</u>	<u>11.4</u>	<u>0.4</u>	<u>3,799.7</u>	<u>3,529.6</u>
Energy Investments	94.9	62.2	-	0.7	-	-	89.4	83.1	184.3	146.0
New Zealand Business	-	206.7	-	628.2	-	-	-	-	-	834.9
Property	-	-	23.3	14.7	3.6	1.3	-	-	26.9	16.0
Telecommunications	-	-	-	1.9	-	-	-	-	-	1.9
Segment totals	<u>4,212.7</u>	<u>4,051.2</u>	<u>28.2</u>	<u>648.5</u>	<u>723.0</u>	<u>712.3</u>	<u>100.8</u>	<u>83.5</u>	<u>5,064.7</u>	<u>5,495.5</u>
Unallocated items	26.3	26.6	0.9	(0.6)	-	-	-	-	27.2	26.0
	<u>4,239.0</u>	<u>4,077.8</u>	<u>29.1</u>	<u>647.9</u>	<u>723.0</u>	<u>712.3</u>	<u>100.8</u>	<u>83.5</u>	<u>5,091.9</u>	<u>5,521.5</u>
Less: eliminations	-	-	-	-	(723.0)	(712.3)	-	-	(723.0)	(712.3)
	<u>4,239.0</u>	<u>4,077.8</u>	<u>29.1</u>	<u>647.9</u>	<u>-</u>	<u>-</u>	<u>100.8</u>	<u>83.5</u>	<u>4,368.9</u>	<u>4,809.2</u>

Revenue is principally derived from:

- (i) Energy Networks - distribution of gas and electricity
- Agility - provision of infrastructure management and maintenance services
- Retail Energy - sale of natural gas and electricity
- Merchant Energy - generation and sale of electricity and wholesale sale of gas
- Energy Investments - investments in pipeline and energy utility entities
- New Zealand Business (discontinued) - investments in New Zealand entities involved in the gas and electricity industries
- Property - sale and rental of properties
- Telecommunications - investments in entities involved in the telecommunications industry
- (ii) Inter-segment pricing is on an "arms-length" commercial basis.
- (iii) Since 1 April 2005 the previous Energy Sales and Marketing and Power Generation segments have been reported under the new segments, Retail Energy and Merchant Energy. The 2005 comparatives have been restated to reflect this change.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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Note 2 - Segment information (continued)
(b) Segment results - profits/(losses)

	Segment results - profits/(losses)		Depreciation and amortisation		Other non-cash expenses	
	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m
Continuing operations						
Energy Networks						
Gas Networks	119.2	132.4	73.4	72.0	1.4	1.9
Electricity Networks	89.0	(152.3)	17.7	24.2	0.1	231.6
	<u>208.2</u>	<u>(19.9)</u>	<u>91.1</u>	<u>96.2</u>	<u>1.5</u>	<u>233.5</u>
Agility	70.3	63.0	5.9	3.8	16.1	13.5
Retail Energy	262.8	221.2	10.5	13.9	33.1	35.3
Merchant Energy	147.2	52.6	65.8	18.8	3.1	0.5
	<u>410.0</u>	<u>273.8</u>	<u>76.3</u>	<u>32.7</u>	<u>36.2</u>	<u>35.8</u>
Energy Investments	89.9	94.0	6.0	4.7	25.8	1.6
Property	22.0	2.6	1.9	1.2	0.2	0.1
Telecommunications	0.1	2.2	-	-	-	0.1
Segment totals	<u>800.5</u>	<u>415.7</u>	<u>181.2</u>	<u>138.6</u>	<u>79.8</u>	<u>284.6</u>
Unallocated items	<u>(65.2)</u>	<u>(27.8)</u>	<u>24.4</u>	<u>21.1</u>	<u>21.0</u>	<u>30.5</u>
	<u>735.3</u>	<u>387.9</u>	<u>205.6</u>	<u>159.7</u>	<u>100.8</u>	<u>315.1</u>
Finance costs	<u>(143.8)</u>	<u>(89.2)</u>				
Profit from continuing operations before income tax	<u>591.5</u>	<u>298.7</u>				
Income tax expense	<u>(134.5)</u>	<u>(54.4)</u>				
Profit from continuing operations after income tax	<u>457.0</u>	<u>244.3</u>				
Discontinued operations						
New Zealand Business						
Segment totals	-	702.6	-	30.5	-	-
Finance costs	-	(10.3)				
Profit from discontinued operations	-	692.3				
Income tax expense	-	(12.1)				
Profit from discontinued operations after income tax	-	680.2				
Profit for the period	<u>457.0</u>	<u>924.5</u>				

Profit for the period includes the following significant items, as detailed in Note 6 as allocated to relevant segments:

(i) Electricity Networks	\$nil million (2005: \$(231.1) million)
(ii) Energy Investments	\$(19.6) million (2005: \$nil million)
(iii) New Zealand Business	\$nil million (2005: \$628.2 million)
(iv) Property	\$23.3 million (2005: \$2.6 million)
(v) Unallocated items	\$(45.6) million (2005: \$(5.0) million)
(vi) Income tax benefit	\$60.0 million (2005: \$107.5 million)

Energy Investments non-cash expenses include a \$25.1 million write down of PNG Pipeline FEED costs. Electricity Networks non-cash expenses include a \$231.1 million impairment loss on write down of assets in the prior year.

(c) Segment assets and liabilities

	Assets		Liabilities		Equity accounted investments *		Acquisition of non-current assets	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Energy Networks								
Gas Networks	2,816.6	2,795.4	638.0	695.6	-	-	86.4	69.2
Electricity Networks	787.5	755.0	13.3	12.4	-	-	50.0	42.4
	<u>3,604.1</u>	<u>3,550.4</u>	<u>651.3</u>	<u>708.0</u>	-	-	<u>136.4</u>	<u>111.6</u>
Agility	156.4	120.6	73.3	73.2	-	-	30.9	18.7
Retail Energy	2,084.8	2,057.3	514.2	553.8	9.8	0.9	0.2	1.8
Merchant Energy	3,257.9	555.3	644.3	3.2	131.3	106.5	2,215.2	12.0
	<u>5,342.7</u>	<u>2,612.6</u>	<u>1,158.5</u>	<u>557.0</u>	<u>141.1</u>	<u>107.4</u>	<u>2,215.4</u>	<u>13.8</u>
Energy Investments	1,062.4	1,029.2	161.3	164.0	868.3	864.5	26.4	4.4
New Zealand Business	-	-	-	-	-	-	-	14.5
Property	32.0	30.2	26.3	17.2	-	-	35.1	7.0
Telecommunications	-	0.1	-	0.1	-	-	-	-
Segment totals	<u>10,197.6</u>	<u>7,343.1</u>	<u>2,070.7</u>	<u>1,519.5</u>	<u>1,009.4</u>	<u>971.9</u>	<u>2,444.2</u>	<u>170.0</u>
Unallocated items	<u>290.2</u>	<u>537.8</u>	<u>3,652.8</u>	<u>1,709.4</u>	-	-	<u>40.7</u>	<u>32.0</u>
Consolidated total	<u>10,487.8</u>	<u>7,880.9</u>	<u>5,723.5</u>	<u>3,228.9</u>	<u>1,009.4</u>	<u>971.9</u>	<u>2,484.9</u>	<u>202.0</u>

* included in assets total



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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FOR THE YEAR ENDED 30 JUNE 2006

Note 2 - Segment information (continued)

(d) Funds employed

	Energy Networks		Agility	Retail Energy	Merchant Energy	Energy Investments
	Gas Networks	Electricity Networks				
	2006	2006				
	\$m	\$m	\$m	\$m	\$m	\$m
Current assets						
Cash and cash equivalents	-	-	0.6	6.2	58.5	11.6
Trade and other receivables	23.5	17.0	47.3	740.4	92.4	12.6
Inventories	-	-	3.2	1.5	25.3	1.4
Other financial assets	-	-	-	-	198.5	-
Other assets	-	0.6	0.6	3.7	4.8	0.2
Non-current assets						
Trade and other receivables	-	-	-	-	22.3	-
Investments accounted for using the equity method	-	-	-	9.8	131.3	868.3
Exploration and evaluation assets	-	-	-	-	51.5	-
Oil and gas assets	-	-	-	-	498.5	-
Property, plant and equipment	2,784.6	453.7	38.4	50.6	998.5	133.6
Intangible assets	6.9	278.2	45.9	1,180.5	869.3	18.7
Deferred tax assets	0.2	38.0	12.6	88.7	107.6	16.0
Other financial assets	-	-	-	-	196.4	-
Other assets	1.4	-	7.8	3.4	3.0	-
Total assets	2,816.6	787.5	156.4	2,084.8	3,257.9	1,062.4
Current liabilities						
Trade and other payables	5.6	9.1	36.5	340.4	61.7	7.0
Provisions	0.8	0.4	16.5	10.5	6.1	0.6
Current tax liabilities	-	-	-	-	-	0.5
Other financial liabilities	-	-	-	-	224.1	-
Other liabilities	-	1.6	0.3	0.9	0.3	0.6
Non-current liabilities						
Provisions	0.2	-	19.8	10.8	10.6	0.4
Deferred tax liabilities	631.4	2.2	-	136.9	172.5	108.7
Other financial liabilities	-	-	-	-	159.2	-
Other liabilities	-	-	-	3.8	1.3	-
Total liabilities	638.0	13.3	73.1	503.3	635.8	117.8
Funds employed	2,178.6	774.2	83.3	1,581.5	2,622.1	944.6
Guarantee support	-	-	3.3	1.2	233.8	21.7

(e) Geographical segments

	External revenue and other income		Assets		Acquisition of non-current assets	
	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	4,200.9	3,852.0	10,324.5	7,740.0	2,481.9	183.1
New Zealand	-	834.9	-	-	-	14.5
Other	67.2	38.8	163.3	140.9	3.0	4.4
	4,268.1	4,725.7	10,487.8	7,880.9	2,484.9	202.0



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 3 - Revenue				
Revenue from continuing and discontinued operations consisted of the following items:				
Revenue from sale of goods	3,765.1	3,638.4	257.3	264.1
Revenue from rendering of services	408.3	386.9	1.2	1.4
Revenue from construction contracts	46.5	32.5	-	-
Finance income				
Interest income				
Subsidiaries	-	-	3.6	208.9
Associates	11.4	10.6	11.4	10.6
Other entities	7.7	9.4	0.2	3.1
Dividends				
Subsidiaries	-	-	169.9	59.5
Associates	-	-	20.1	19.1
	<u>4,239.0</u>	<u>4,077.8</u>	<u>463.7</u>	<u>566.7</u>
Attributable to:				
Continuing operations	4,239.0	3,871.1	463.7	566.7
Discontinued operations	-	206.7	-	-
	<u>4,239.0</u>	<u>4,077.8</u>	<u>463.7</u>	<u>566.7</u>
Note 4 - Other income				
Other income from continuing and discontinued operations consisted of the following items:				
Net gain on disposal of property, plant and equipment	24.9	14.6	23.3	14.8
Gain on disposal of business	-	628.2	-	-
Net foreign exchange gains	0.6	3.1	85.5	-
Rental income	0.6	0.7	0.1	0.1
Other	3.0	1.3	-	-
	<u>29.1</u>	<u>647.9</u>	<u>108.9</u>	<u>14.9</u>
Attributable to:				
Continuing operations	29.1	19.7	108.9	14.9
Discontinued operations	-	628.2	-	-
	<u>29.1</u>	<u>647.9</u>	<u>108.9</u>	<u>14.9</u>
Note 5 - Expenses				
Cost of sales	2,743.4	2,721.2	257.4	264.3
Administrative expenses	123.5	114.2	15.5	19.5
Employee benefits expense	490.2	460.1	54.5	56.9
Asset impairment/(reversal)	25.1	231.1	(6.6)	77.7
Net foreign exchange losses	-	-	-	0.5
Other expenses	45.8	1.9	14.3	3.4
	<u>3,428.0</u>	<u>3,528.5</u>	<u>335.1</u>	<u>422.3</u>
Attributable to:				
Continuing operations	3,428.0	3,426.7	335.1	422.3
Discontinued operations	-	101.8	-	-
	<u>3,428.0</u>	<u>3,528.5</u>	<u>335.1</u>	<u>422.3</u>



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 6 - Profit before income tax				
Profit before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations.				
Finance costs				
Interest expense				
Subsidiaries	-	-	72.1	40.4
Other entities	151.3	97.5	147.9	83.6
Other finance costs (a)	<u>(7.5)</u>	<u>2.0</u>	<u>(8.1)</u>	<u>1.9</u>
	<u>143.8</u>	<u>99.5</u>	<u>211.9</u>	<u>125.9</u>
Attributable to:				
Continuing operations	143.8	89.2	211.9	125.9
Discontinued operations	-	10.3	-	-
	<u>143.8</u>	<u>99.5</u>	<u>211.9</u>	<u>125.9</u>
(a) Includes favourable mark to market adjustment of \$15.9 million for both the consolidated entity and Parent Entity in the current year.				
Depreciation and amortisation				
Property, plant and equipment	158.8	168.8	2.2	1.8
Oil and gas assets	39.7	-	-	-
Intangible assets	3.9	4.2	-	-
Gas entitlements	-	15.1	-	-
Other	<u>3.2</u>	<u>2.1</u>	<u>-</u>	<u>-</u>
	<u>205.6</u>	<u>190.2</u>	<u>2.2</u>	<u>1.8</u>
Attributable to:				
Continuing operations	205.6	159.7	2.2	1.8
Discontinued operations	-	30.5	-	-
	<u>205.6</u>	<u>190.2</u>	<u>2.2</u>	<u>1.8</u>
Employee benefits expense				
Wages and salaries	420.9	390.8	24.5	29.7
Defined benefit plans	2.7	5.5	2.7	5.5
Defined contribution plans	17.1	13.5	1.6	1.7
Share-based payments	9.1	4.1	5.7	3.2
Other employee benefits	<u>40.4</u>	<u>46.2</u>	<u>20.0</u>	<u>16.8</u>
	<u>490.2</u>	<u>460.1</u>	<u>54.5</u>	<u>56.9</u>
Charges to provisions				
Environmental rehabilitation	-	6.5	-	6.1
Property rationalisation	-	6.0	-	6.0
Other	2.0	10.1	-	0.7
Doubtful trade debts (net of bad debts recovered)	20.4	20.4	-	-
Operating lease rental expenses	21.5	21.0	5.5	5.8
Research and development costs	0.1	0.2	-	-



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 6 - Profit before income tax (continued)				
Profit includes the following significant items.				
Equity accounted profit relating to Australian Pipeline Trust entering tax consolidation	5.5	-	-	-
(Income tax expense applicable \$nil)				
Demerger/merger costs	(45.6)	-	(45.6)	-
(Income tax income applicable \$13.7 million)				
Tax consolidation benefit	46.3	64.8	-	-
(2005: Gross benefit \$65.9 million less costs \$1.6 million (tax income \$0.5 million))				
Gain on disposal of business - NGC Holdings Limited	-	628.2	-	-
(Income tax expense applicable \$4.0 million)				
Gain on disposal of property - Breakfast Point	23.3	14.7	23.3	14.7
(Income tax expense applicable \$nil)				
Write down of PNG Pipeline FEED costs	(25.1)	-	-	-
(Income tax income applicable \$6.8 million)				
Property rehabilitation	-	(6.1)	-	(6.1)
(Income tax income applicable \$0.3 million)				
Property rationalisation	-	(9.4)	-	(9.4)
(Income tax income applicable \$2.7 million)				
Write down of Electricity Networks assets	-	(231.1)	-	-
(Income tax income applicable \$38.1 million)				



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FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 7 - Income tax				
The major components of income tax expense are:				
Income statement				
<i>Current income tax</i>				
Current tax expense (income)	132.6	189.1	(122.4)	40.6
Adjustments in respect of current income tax of previous years	(4.8)	(4.2)	(4.7)	(1.3)
<i>Deferred income tax</i>				
Relating to the origination and reversal of temporary differences	6.7	(118.4)	44.4	(7.0)
Income tax expense/(income) recognised in the income statement	<u>134.5</u>	<u>66.5</u>	<u>(82.7)</u>	<u>32.3</u>
Attributable to:				
Continuing operations	134.5	54.4	(82.7)	32.3
Discontinued operations (Note 45)	-	12.1	-	-
	<u>134.5</u>	<u>66.5</u>	<u>(82.7)</u>	<u>32.3</u>
Statement of recognised income and expense				
<i>Deferred income tax related to items charged or credited directly to equity</i>				
Revaluation of financial instruments treated as cash flow hedges	18.8	-	5.2	-
Actuarial gain/(loss) on defined benefit superannuation plans	4.6	(1.1)	4.6	(1.1)
Income tax expense/(income) recognised in equity	<u>23.4</u>	<u>(1.1)</u>	<u>9.8</u>	<u>(1.1)</u>
Reconciliation between tax expense and pre-tax profit				
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit from continuing operations before income tax	591.5	298.7	23.4	31.6
Profit from discontinued operations before income tax	-	692.3	-	-
Profit from operations	<u>591.5</u>	<u>991.0</u>	<u>23.4</u>	<u>31.6</u>
Income tax expense calculated at 30%	177.4	297.3	7.0	9.5
Asset impairment	0.8	31.4	-	-
Investment in subsidiaries impairment/(reversal)	-	-	(2.0)	23.3
Non-allowable expenses	5.0	4.1	2.6	15.0
Gain on disposal of business	-	(184.4)	-	-
Non-assessable income	(6.3)	(4.0)	(33.0)	(5.2)
Assessable dividends	11.6	10.2	-	-
Share of profits of associates and jointly controlled entities	(15.4)	(10.2)	-	-
Recognition of deferred tax balances of subsidiaries	-	-	-	(312.1)
Consideration received or receivable to/from subsidiaries for transferred tax balances	-	-	-	312.1
Recognition of tax losses not previously brought to account	(0.3)	(1.6)	-	-
Rebatable dividends	(7.2)	(9.7)	(52.6)	(17.9)
Overseas tax rate differential	10.1	4.9	-	-
Tax consolidation benefit	(46.3)	(65.9)	-	-
Other	9.9	(1.4)	-	8.9
Income tax over provided in prior years	(4.8)	(4.2)	(4.7)	(1.3)
	<u>134.5</u>	<u>66.5</u>	<u>(82.7)</u>	<u>32.3</u>



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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FOR THE YEAR ENDED 30 JUNE 2006

	Balance sheet		Income statement	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 7 - Income tax (continued)				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Tax indemnity	(0.4)	(1.2)	0.8	-
Unearned revenue	140.9	136.7	4.2	(6.8)
Accelerated depreciation	825.3	785.2	(43.0)	(110.5)
Intangible assets	3.1	4.7	(1.6)	(1.8)
Unrealised foreign exchange gain	28.2	5.2	23.7	(3.7)
Defined benefit superannuation plans	9.4	3.0	6.4	-
Derivatives	101.3	-	15.4	-
Finance lease	4.4	-	4.4	-
Other	14.8	12.2	0.3	(3.7)
Total consolidated deferred tax liabilities	<u>1,127.0</u>	<u>945.8</u>		
Deferred tax assets				
Revenue losses	0.9	6.8	0.4	4.5
Provisions and accruals	48.4	42.0	(6.3)	(5.1)
Accelerated depreciation	31.7	46.0	13.2	2.5
Energy certificates	5.7	4.0	(1.7)	1.8
Allowance for doubtful debts	9.0	10.2	1.1	1.7
Intangible assets	0.8	0.8	-	-
Derivatives	198.3	-	(19.8)	-
Unrealised foreign exchange loss	1.0	10.1	9.1	(0.3)
Other	7.8	7.1	0.1	3.0
Total consolidated deferred tax assets	<u>303.6</u>	<u>127.0</u>		
Deferred tax expense/(income)			<u>6.7</u>	<u>(118.4)</u>
Parent Entity				
Deferred tax liabilities				
Unearned revenue	1.3	2.9	(1.5)	(2.1)
Accelerated depreciation	1.5	0.3	1.3	-
Unrealised foreign exchange gain	26.3	5.2	21.8	(3.7)
Defined benefit superannuation plans	9.4	3.0	6.4	-
Derivatives	17.4	-	10.8	-
Recognition of deferred tax balances of subsidiaries	-	360.0	-	-
Other	0.2	4.6	(4.6)	(1.5)
Total Parent Entity deferred tax liabilities	<u>56.1</u>	<u>376.0</u>		
Deferred tax assets				
Revenue losses	-	6.8	-	-
Provisions and accruals	11.0	8.3	(2.4)	0.2
Accelerated depreciation	0.4	1.6	1.2	0.6
Derivatives	24.7	-	-	-
Unrealised foreign exchange loss	-	8.9	8.9	-
Recognition of deferred tax balances of subsidiaries	-	99.1	-	-
Other	0.5	3.0	2.5	(0.5)
Total Parent Entity deferred tax assets	<u>36.6</u>	<u>127.7</u>		
Deferred tax expense/(income)			<u>44.4</u>	<u>(7.0)</u>

The consolidated entity has no revenue tax losses arising in Australia (2005: \$nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2006, there is no unrecognised deferred tax assets or deferred tax liabilities (2005: \$nil).



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 8 - Dividends				
<i>Recognised amounts</i>				
Interim dividend paid 23 March 2006 (2005: 24 March 2005)				
Franked amount (31 cents per share (2005: 28 cents per share))	141.3	127.8	141.3	127.8
Unfranked amount (nil cents per share (2005: 3 cents per share))	-	13.7	-	13.7
Total amount (31 cents per share (2005: 31 cents per share))	<u>141.3</u>	<u>141.5</u>	<u>141.3</u>	<u>141.5</u>
Special dividend - nil (2005: 24 March 2005)				
Franked amount (nil cents per share (2005: 27 cents per share))	-	123.6	-	123.6
Unfranked amount (nil cents per share (2005: 3 cents per share))	-	13.7	-	13.7
Total amount (nil cents per share (2005: 30 cents per share))	<u>-</u>	<u>137.3</u>	<u>-</u>	<u>137.3</u>
Final dividend paid 23 September 2005 (2005: 24 September 2004)				
Franked amount (32 cents per share (2005: 23 cents per share))	146.1	104.9	146.1	104.9
Unfranked amount (nil cents per share (2005: 8 cents per share))	-	36.5	-	36.5
Total amount (32 cents per share (2005: 31 cents per share))	<u>146.1</u>	<u>141.4</u>	<u>146.1</u>	<u>141.4</u>
	<u>287.4</u>	<u>420.2</u>	<u>287.4</u>	<u>420.2</u>
<i>Unrecognised amounts</i>				
Proposed final dividend to be paid 22 September 2006 (a)				
Franked amount (36.5 cents per share)	166.4	146.1		
Unfranked amount (nil)	-	-		
Total amount 36.5 cents per share	<u>166.4</u>	<u>146.1</u>		

(a) The proposed final dividend in respect of ordinary shares for the year ended 30 June 2006 has not been recognised in this financial report as the final dividend was not declared on or before 30 June 2006.

The franking rate applicable to all franked dividends 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)

-	11.5	-	11.5
<u>-</u>	<u>11.5</u>	<u>-</u>	<u>11.5</u>

Note 9 - Cash and cash equivalents

Cash at bank and on hand	70.0	17.5	20.2	7.9
Short-term money market deposits	39.0	376.7	11.8	374.0
	<u>109.0</u>	<u>394.2</u>	<u>32.0</u>	<u>381.9</u>

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.
 Short-term money market deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

Note 10 - Trade and other receivables (current)

Trade receivables	439.9	357.1	3.1	11.8
Allowance for doubtful debts	(25.6)	(28.0)	-	-
	<u>414.3</u>	<u>329.1</u>	<u>3.1</u>	<u>11.8</u>
Unbilled revenue	446.8	406.5	-	-
Amounts due from customers for construction contracts	4.0	11.4	-	-
Amounts owing by subsidiaries	-	-	-	1.6
Amounts owing by associates	18.7	14.8	4.2	4.2
Amounts owing by jointly controlled entities	33.9	25.3	-	-
Finance lease receivables (Note 39)	0.5	-	-	-
Other receivables	22.6	19.9	5.9	8.4
	<u>940.8</u>	<u>807.0</u>	<u>13.2</u>	<u>26.0</u>

Trade receivables are non-interest bearing and 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.

For terms and conditions relating to amounts owing by subsidiaries, associates and jointly controlled entities, refer to Note 49.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 11 - Inventories				
Raw materials and stores				
At cost	19.2	8.9	-	-
At net realisable values	-	1.5	-	-
Work in progress - at cost	1.4	1.6	-	-
Finished goods				
At cost	9.4	1.2	-	-
At net realisable values	1.4	0.8	-	-
	<u>31.4</u>	<u>14.0</u>	<u>-</u>	<u>-</u>
Note 12 - Other financial assets (current)				
Fair value derivatives (Note 53)	<u>198.5</u>	<u>-</u>	<u>3.0</u>	<u>-</u>
Note 13 - Other assets (current)				
Prepayments	<u>14.7</u>	<u>56.3</u>	<u>0.5</u>	<u>1.0</u>
Note 14 - Non-current assets held for sale (current)				
<i>Land and buildings held for sale</i>				
Balance at beginning of year	15.2	-	14.2	-
Disposals	(14.2)	-	(14.2)	-
Transfers (Note 20)	(1.0)	15.2	-	14.2
Balance at end of year	<u>-</u>	<u>15.2</u>	<u>-</u>	<u>14.2</u>
Note 15 - Trade and other receivables (non-current)				
Finance lease receivables (Note 39)	22.2	-	-	-
Other receivables	0.1	0.4	-	-
	<u>22.3</u>	<u>0.4</u>	<u>-</u>	<u>-</u>
Note 16 - Other financial assets (non-current)				
Investments in subsidiaries - at cost	-	-	1,646.7	1,188.7
Impairment	-	-	(176.5)	(183.1)
	-	-	<u>1,470.2</u>	<u>1,005.6</u>
Amounts owing by subsidiaries	-	-	5,736.4	4,163.9
Impairment	-	-	(238.5)	(238.5)
	-	-	<u>5,497.9</u>	<u>3,925.4</u>
Loans to associates	115.0	123.4	115.0	123.4
Investments in associates - at cost	-	-	261.8	260.2
Fair value derivatives (Note 53)	141.3	-	64.3	-
	<u>256.3</u>	<u>123.4</u>	<u>7,409.2</u>	<u>5,314.6</u>

For terms and conditions relating to amounts owing by subsidiaries and loans to associates, refer to Note 49.



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 17 - Investments accounted for using the equity method				
Investments in associates - listed	230.5	225.6	-	-
Investments in associates - unlisted	141.1	107.4	-	-
Investments in jointly controlled entities - unlisted	637.8	638.9	-	-
	<u>1,009.4</u>	<u>971.9</u>	<u>-</u>	<u>-</u>

In the financial statements of the Parent Entity, investments in associates are accounted for at cost and included within other financial assets (refer to Note 16). The consolidated entity accounts for investments in associates and jointly controlled entities using the equity method.

Name of entity	Principal activities	Country of incorporation	Reporting dates	Ownership interest		Carrying value	
				2006	2005	2006	2005
				%	%	\$m	\$m
Associates							
Australian Pipeline Trust (a)	Transmission of natural gas and management of gas pipelines	Australia	30 June	30.0	30.0	230.5	225.6
Greater Energy Alliance Corporation Pty Limited	Electricity generation	Australia	31 December	32.5	32.5	140.2	106.5
Gascor Pty Ltd	Victorian gas transmission	Australia	30 June	33.3	33.3	0.9	0.9
COMindico Holdings Pty Limited (in liquidation)	Telecommunications services	Australia	30 June	35.9	35.9	-	-
Centre for Energy and Greenhouse Technology	Greenhouse gas research	Australia	30 June	40.0	40.0	-	-
Jointly controlled entities							
ActewAGL	Energy and water services	Australia	30 June	50.0	50.0	568.4	564.0
Auscom Holdings Pty Limited	Distribution and sales of LPG	Australia	31 December	50.0	50.0	69.4	74.9
Agility Diona	Water mains construction services	Australia	30 June	50.0	50.0	-	-
Agility Clough Lucas	Engineering and construction	Australia	30 June	50.0	50.0	-	-
Agility Kembla	Engineering and construction	Australia	30 June	50.0	50.0	-	-
The AGL-Petronas Consortium (APC)	Front end engineering and design for the PNG to Queensland gas pipeline	Australia	30 June	50.0	-	-	-
						<u>1,009.4</u>	<u>971.9</u>

(a) The published fair value of the interest in Australian Pipeline Trust was \$358.9 million (2005: \$314.6 million)



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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	Consolidated	
	2006	2005
	\$m	\$m
Note 17 - Investments accounted for using the equity method (continued)		
Summarised financial information of associates *		
Current assets	110.2	62.5
Non-current assets	2,265.4	2,166.2
Total assets	2,375.6	2,228.7
Current liabilities	316.2	145.0
Non-current liabilities	1,405.6	1,439.2
Total liabilities	1,721.8	1,584.2
Net assets	653.8	644.5
Revenue	1,048.8	952.3
Net profit after tax	92.0	71.4
* Estimated		
Share of associates' profit or loss		
Share of profit before income tax	46.2	15.7
Income tax (expense)/income	(7.5)	3.9
Share of associates' profit after income tax	38.7	19.6
Summarised financial information of jointly controlled entities		
Current assets	302.7	273.0
Non-current assets	1,111.2	1,105.1
Total assets	1,413.9	1,378.1
Current liabilities	241.0	225.5
Non-current liabilities	266.6	250.1
Total liabilities	507.6	475.6
Net assets	906.3	902.5
Revenue	1,355.8	1,277.4
Expenses	(1,212.2)	(1,134.3)
Share of jointly controlled entities' profit or loss		
Share of profit before income tax	67.8	70.5
Income tax expense	(5.7)	(6.6)
Share of jointly controlled entities' profit after income tax	62.1	63.9

During the year, the consolidated entity received dividends of \$20.1 million (2005: \$19.4 million) from its associates and \$63.5 million (2005: \$73.4 million) from its jointly controlled entities.

The consolidated entity's share of capital expenditure commitments and contingent liabilities of associates and jointly controlled entities are disclosed in Notes 38 and 40 respectively.

There were no impairment losses relating to investments in associates and jointly controlled entities.

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

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



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 18 - Exploration and evaluation assets				
Balance at beginning of year	-	-	-	-
Additions	51.3	-	-	-
Foreign currency exchange differences	0.2	-	-	-
Balance at end of year	<u>51.5</u>	<u>-</u>	<u>-</u>	<u>-</u>
Note 19 - Oil and gas assets				
<i>Assets in development</i>				
Balance at beginning of year	-	-	-	-
Additions	25.1	-	-	-
Impairment loss	<u>(25.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Producing assets</i>				
Balance at beginning of year	-	-	-	-
Additions	536.7	-	-	-
Depreciation and amortisation	(39.7)	-	-	-
Foreign currency exchange differences	1.5	-	-	-
Balance at end of year	<u>498.5</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total oil and gas assets</i>	<u>498.5</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost (gross carrying amount)	563.3	-	-	-
Accumulated depreciation, amortisation and impairment	<u>(64.8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>498.5</u>	<u>-</u>	<u>-</u>	<u>-</u>

Impairment loss

Following a lack of sufficient committed foundation load and escalating construction costs, a decision was taken by AGL to write off its 50% share of the Front End Engineering and Design (FEED) costs incurred to 30 June 2006 of \$25.1 million pre-tax. The pipeline route and associated cost build up were unable to be sufficiently determined without a final committed load. APC continues to work with upstream producers to evaluate alternative structures to bring PNG gas to eastern states markets.

The impairment loss is included in the line item 'asset impairment/(reversal)' in Note 5.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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Note 20 - Property, plant and equipment

	Freehold land and buildings \$m	Leasehold improvements \$m	Surplus property held for sale \$m	Plant and equipment \$m	Total \$m
Consolidated - year ended 30 June 2006					
Balance at 1 July 2005, net of accumulated depreciation and impairment	25.6	1.1	2.5	3,753.2	3,782.4
Additions	0.1	21.5	-	273.4	295.0
Acquisitions through business combinations (Note 43)	-	-	-	701.2	701.2
Disposals	-	-	(0.4)	(2.2)	(2.6)
Depreciation	(0.2)	(2.0)	(0.1)	(156.5)	(158.8)
Transfers	(0.4)	0.8	1.0	(21.0)	(19.6)
Foreign currency exchange differences	-	-	-	4.8	4.8
Balance at 30 June 2006, net of accumulated depreciation and impairment	<u>25.1</u>	<u>21.4</u>	<u>3.0</u>	<u>4,552.9</u>	<u>4,602.4</u>
Balance at 1 July 2005					
Cost (gross carrying amount)	29.3	9.4	2.9	4,674.9	4,716.5
Accumulated depreciation and impairment	(3.7)	(8.3)	(0.4)	(921.7)	(934.1)
Net carrying amount	<u>25.6</u>	<u>1.1</u>	<u>2.5</u>	<u>3,753.2</u>	<u>3,782.4</u>
Balance at 30 June 2006					
Cost (gross carrying amount)	29.1	29.5	3.5	5,846.1	5,908.2
Accumulated depreciation and impairment	(4.0)	(8.1)	(0.5)	(1,293.2)	(1,305.8)
Net carrying amount	<u>25.1</u>	<u>21.4</u>	<u>3.0</u>	<u>4,552.9</u>	<u>4,602.4</u>
Parent Entity - year ended 30 June 2006					
Balance at 1 July 2005, net of accumulated depreciation and impairment	1.5	0.4	-	6.6	8.5
Additions	-	21.2	-	13.6	34.8
Disposals	-	(2.3)	-	(7.8)	(10.1)
Depreciation	-	(1.8)	-	(0.4)	(2.2)
Balance at 30 June 2006, net of accumulated depreciation and impairment	<u>1.5</u>	<u>17.5</u>	<u>-</u>	<u>12.0</u>	<u>31.0</u>
Balance at 1 July 2005					
Cost (gross carrying amount)	3.1	4.5	-	12.4	20.0
Accumulated depreciation and impairment	(1.6)	(4.1)	-	(5.8)	(11.5)
Net carrying amount	<u>1.5</u>	<u>0.4</u>	<u>-</u>	<u>6.6</u>	<u>8.5</u>
Balance at 30 June 2006					
Cost (gross carrying amount)	3.1	23.4	-	15.8	42.3
Accumulated depreciation and impairment	(1.6)	(5.9)	-	(3.8)	(11.3)
Net carrying amount	<u>1.5</u>	<u>17.5</u>	<u>-</u>	<u>12.0</u>	<u>31.0</u>



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Note 20 - Property, plant and equipment (continued)

	Freehold land and buildings \$m	Leasehold improvements \$m	Surplus property held for sale \$m	Plant and equipment \$m	Total \$m
Consolidated - year ended 30 June 2005					
Balance at 1 July 2004, net of accumulated depreciation and impairment	36.0	2.3	17.8	4,561.0	4,617.1
Additions	0.3	1.2	-	186.5	188.0
Acquisitions through business combinations (Note 43)	-	-	-	0.1	0.1
Disposals	(10.4)	-	-	(710.0)	(720.4)
Depreciation	-	(2.8)	-	(166.0)	(168.8)
Impairment loss	-	-	-	(126.9)	(126.9)
Transfers	(0.3)	0.4	(15.3)	-	(15.2)
Foreign currency exchange differences	-	-	-	8.5	8.5
Balance at 30 June 2005, net of accumulated depreciation and impairment	<u>25.6</u>	<u>1.1</u>	<u>2.5</u>	<u>3,753.2</u>	<u>3,782.4</u>
Balance at 1 July 2004					
Cost (gross carrying amount)	39.7	7.8	18.2	5,198.4	5,264.1
Accumulated depreciation and impairment	<u>(3.7)</u>	<u>(5.5)</u>	<u>(0.4)</u>	<u>(637.4)</u>	<u>(647.0)</u>
Net carrying amount	<u>36.0</u>	<u>2.3</u>	<u>17.8</u>	<u>4,561.0</u>	<u>4,617.1</u>
Balance at 30 June 2005					
Cost (gross carrying amount)	29.3	9.4	2.9	4,674.9	4,716.5
Accumulated depreciation and impairment	<u>(3.7)</u>	<u>(8.3)</u>	<u>(0.4)</u>	<u>(921.7)</u>	<u>(934.1)</u>
Net carrying amount	<u>25.6</u>	<u>1.1</u>	<u>2.5</u>	<u>3,753.2</u>	<u>3,782.4</u>
Parent Entity - year ended 30 June 2005					
Balance at 1 July 2004, net of accumulated depreciation and impairment	1.5	1.1	14.2	2.4	19.2
Additions	-	-	-	5.4	5.4
Disposals	-	-	-	(0.1)	(0.1)
Depreciation	-	(1.2)	-	(0.6)	(1.8)
Transfers	-	0.5	(14.2)	(0.5)	(14.2)
Balance at 30 June 2005, net of accumulated depreciation and impairment	<u>1.5</u>	<u>0.4</u>	<u>-</u>	<u>6.6</u>	<u>8.5</u>
Balance at 1 July 2004					
Cost (gross carrying amount)	3.1	4.0	14.2	7.4	28.7
Accumulated depreciation and impairment	<u>(1.6)</u>	<u>(2.9)</u>	<u>-</u>	<u>(5.0)</u>	<u>(9.5)</u>
Net carrying amount	<u>1.5</u>	<u>1.1</u>	<u>14.2</u>	<u>2.4</u>	<u>19.2</u>
Balance at 30 June 2005					
Cost (gross carrying amount)	3.1	4.5	-	12.4	20.0
Accumulated depreciation and impairment	<u>(1.6)</u>	<u>(4.1)</u>	<u>-</u>	<u>(5.8)</u>	<u>(11.5)</u>
Net carrying amount	<u>1.5</u>	<u>0.4</u>	<u>-</u>	<u>6.6</u>	<u>8.5</u>

Depreciation

Depreciation expense is included in the line item 'depreciation and amortisation' in the income statement.

Impairment loss

Impairment losses are included in the line item 'asset impairment/(reversal)' in Note 5. The impairment loss of \$126.9 million recognised during the 2005 financial year relates to the write down of plant and equipment in the Electricity Networks cash-generating unit. For further details of the impairment loss, refer to Note 21.

Leased plant and equipment

The net carrying amount of plant and equipment held under finance leases at 30 June 2006 was \$145.6 million (2005: \$nil). Leased assets are pledged as security for the related finance lease liabilities.



THE AUSTRALIAN GAS LIGHT COMPANY AND SUBSIDIARIES
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Note 21 - Intangible assets

	Goodwill \$m	Licences \$m	Natural gas conversion \$m	Emission rights \$m	Other \$m	Total \$m
Consolidated - year ended 30 June 2006						
Balance at 1 July 2005, net of accumulated amortisation and impairment	1,234.4	278.2	9.9	22.1	11.5	1,556.1
Additions	-	-	-	44.6	0.7	45.3
Acquisitions through business combinations (Note 43)	532.4	301.2	-	-	-	833.6
Disposals	-	-	-	(26.1)	-	(26.1)
Amortisation	-	-	(3.1)	-	(0.8)	(3.9)
Transfers	-	-	-	-	(3.2)	(3.2)
Foreign currency exchange differences	-	-	-	-	0.6	0.6
Balance at 30 June 2006, net of accumulated amortisation and impairment	<u>1,766.8</u>	<u>579.4</u>	<u>6.8</u>	<u>40.6</u>	<u>8.8</u>	<u>2,402.4</u>
Balance at 1 July 2005						
Cost (gross carrying amount)	1,254.8	362.0	72.1	22.1	13.2	1,724.2
Accumulated amortisation and impairment	(20.4)	(83.8)	(62.2)	-	(1.7)	(168.1)
Net carrying amount	<u>1,234.4</u>	<u>278.2</u>	<u>9.9</u>	<u>22.1</u>	<u>11.5</u>	<u>1,556.1</u>
Balance at 30 June 2006						
Cost (gross carrying amount)	1,787.2	663.2	72.1	40.6	11.4	2,574.5
Accumulated amortisation and impairment	(20.4)	(83.8)	(65.3)	-	(2.6)	(172.1)
Net carrying amount	<u>1,766.8</u>	<u>579.4</u>	<u>6.8</u>	<u>40.6</u>	<u>8.8</u>	<u>2,402.4</u>
Parent Entity - year ended 30 June 2006						
Balance at 1 July 2005, net of accumulated amortisation and impairment	-	-	-	-	3.3	3.3
Additions	-	-	-	-	0.6	0.6
Transfers	-	-	-	-	(1.3)	(1.3)
Balance at 30 June 2006, net of accumulated amortisation and impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.6</u>	<u>2.6</u>
Balance at 1 July 2005						
Cost (gross carrying amount)	-	-	-	-	3.3	3.3
Accumulated amortisation and impairment	-	-	-	-	-	-
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.3</u>	<u>3.3</u>
Balance at 30 June 2006						
Cost (gross carrying amount)	-	-	-	-	2.6	2.6
Accumulated amortisation and impairment	-	-	-	-	-	-
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.6</u>	<u>2.6</u>
Consolidated - year ended 30 June 2005						
Balance at 1 July 2004, net of accumulated amortisation and impairment	1,245.4	364.6	13.4	12.7	6.8	1,642.9
Additions	-	-	-	25.1	5.4	30.5
Acquisitions through business combinations (Note 43)	17.7	-	-	-	-	17.7
Disposals	(8.3)	(2.6)	-	(15.7)	-	(26.6)
Amortisation	-	-	(3.5)	-	(0.7)	(4.2)
Impairment loss	(20.4)	(83.8)	-	-	-	(104.2)
Balance at 30 June 2005, net of accumulated amortisation and impairment	<u>1,234.4</u>	<u>278.2</u>	<u>9.9</u>	<u>22.1</u>	<u>11.5</u>	<u>1,556.1</u>



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Note 21 - Intangible assets (continued)

	Goodwill \$m	Licences \$m	Natural gas conversion \$m	Emission rights \$m	Other \$m	Total \$m
Balance at 1 July 2004						
Cost (gross carrying amount)	1,245.4	364.6	72.1	12.7	7.8	1,702.6
Accumulated amortisation and impairment	-	-	(58.7)	-	(1.0)	(59.7)
Net carrying amount	<u>1,245.4</u>	<u>364.6</u>	<u>13.4</u>	<u>12.7</u>	<u>6.8</u>	<u>1,642.9</u>
Balance at 30 June 2005						
Cost (gross carrying amount)	1,254.8	362.0	72.1	22.1	13.2	1,724.2
Accumulated amortisation and impairment	(20.4)	(83.8)	(62.2)	-	(1.7)	(168.1)
Net carrying amount	<u>1,234.4</u>	<u>278.2</u>	<u>9.9</u>	<u>22.1</u>	<u>11.5</u>	<u>1,556.1</u>
Parent Entity - year ended 30 June 2005						
Balance at 1 July 2004, net of accumulated amortisation and impairment	-	-	-	-	-	-
Additions	-	-	-	-	3.3	3.3
Balance at 30 June 2005, net of accumulated amortisation and impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.3</u>	<u>3.3</u>
Balance at 1 July 2004						
Cost (gross carrying amount)	-	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2005						
Cost (gross carrying amount)	-	-	-	-	3.3	3.3
Accumulated amortisation and impairment	-	-	-	-	-	-
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.3</u>	<u>3.3</u>

Amortisation expense is included in the line item 'depreciation and amortisation' in the income statement.

All intangible assets with finite useful lives were assessed for impairment and all intangible assets with indefinite useful lives were tested for impairment at 30 June 2006.

Impairment testing of indefinite life intangible assets

Goodwill and other Intangible assets deemed to have indefinite lives that are significant in comparison to the consolidated entity's total carrying amount of indefinite lived intangibles have been allocated to cash-generating units (CGUs) for the purpose of impairment testing as follows:

	Goodwill \$m	Licences \$m	Total intangible assets with indefinite lives \$m
Consolidated - year ended 30 June 2006			
<i>Cash-generating unit</i>			
Electricity Networks	-	278.2	278.2
Retail and Merchant Energy	1,705.5	301.2	2,006.7
Total	<u>1,705.5</u>	<u>579.4</u>	<u>2,284.9</u>
Consolidated - year ended 30 June 2005			
<i>Cash-generating unit</i>			
Electricity Networks	-	278.2	278.2
Retail and Merchant Energy	1,182.3	-	1,182.3
Total	<u>1,182.3</u>	<u>278.2</u>	<u>1,460.5</u>



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Note 21 - Intangible assets (continued)

The distribution licence \$278.2 million (2005: \$278.2 million) within the Electricity Networks CGU has been assessed as having an indefinite useful life as it was granted in perpetuity and, accordingly, is not amortised. The factors considered in determining the useful life of the distribution licence included the stability of the industry and compliance with licence obligations.

The licences \$301.2 million (2005: \$nil) to operate hydro electric power stations within the Retail and Merchant Energy CGU have been assessed as having indefinite lives. The factors considered in determining the useful lives of these licences are the long term nature of the initial licences, the expectation that the licences will be renewed, the insignificant cost of renewal, and compliance with licensing obligations.

The recoverable amount for these CGUs has been determined using value in use models.

For the Electricity Networks CGU, the key assumption in determining value in use is regulatory outcomes. For the Retail and Merchant Energy CGU, the key assumptions in the calculation of value in use are customer numbers, energy procurement costs and regulatory outcomes.

For both the Retail and Merchant Energy CGU and the Electricity Networks CGU, the estimate of regulatory outcomes is based on actual regulatory decisions for the current price reset period, which are publicly available, together with the consolidated entity's expectations of regulatory decisions beyond the current reset period. Customer numbers are estimated based on historical experience in various segments together with marketing strategies for the retention and winning of customers. Energy procurement costs are estimated based on the actual hedge portfolio together with an estimate of future hedging prices and volumes beyond the period of the actual hedge portfolio.

Impairment testing for Electricity Networks

The recoverable amount for the Electricity Networks CGU has been determined using a value in use model including an appropriate terminal value. Cash flow forecasts are based on Board approved budgets for years 1 and 2, the Board approved 5 year plan for years 3 to 5 and extrapolated out to 20 years using forecast CPI. The terminal value is based on the final year free cashflow capitalised in perpetuity. In prior years, the terminal value was based on a market multiple of the regulated asset base. The change in the calculation of the terminal value has not had a material impact on the recoverable amount and was done to ensure consistency in valuation methodologies with other similar assets. Discount rates used are the pre-tax weighted average cost of capital of 10.0% (2005: 9.85%).

For the year ended 30 June 2005, an impairment loss was recognised for the Electricity Networks CGU of \$231.1 million before tax. The impairment arose from a reassessment of the fair value of the network following a review of realised market values for Victorian distribution businesses, the tightening regulatory environment and consideration of an unfavourable draft determination by the Victorian Essential Services Commission on distribution charges for 2006-2010.

This impairment loss was recognised in the Electricity Networks segment in respect of the following asset classes:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Property, plant and equipment	-	126.9	-	-
Licences	-	83.8	-	-
Goodwill	-	20.4	-	-
	<u>-</u>	<u>231.1</u>	<u>-</u>	<u>-</u>

No impairment loss has been recognised for the year ended 30 June 2006.

Impairment testing for Retail and Merchant Energy

The recoverable amount for the Retail and Merchant Energy CGU has been determined using a value in use model including an appropriate terminal value. Cash flow forecasts are based on Board approved budgets for years 1 and 2, the Board approved 5 year plan for years 3 to 5 and extrapolated out to 10 years using forecast CPI. The terminal value is based on final year free cashflow capitalised in perpetuity. Discount rates used are the pre-tax weighted average cost of capital of 12.39% (2005: 14.61%).

No impairment loss has been recognised for the year ended 30 June 2006 (2005: \$nil)



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 22 - Other assets (non-current)				
Defined benefit superannuation plan asset (Note 47(e))	31.5	10.1	31.5	10.1
Sundry gas and electricity assets	15.5	22.9	-	7.2
	<u>47.0</u>	<u>33.0</u>	<u>31.5</u>	<u>17.3</u>
Note 23 - Trade and other payables (current)				
Trade payables	500.7	422.7	76.0	64.4
Amounts owing to subsidiaries	-	-	404.6	273.6
Amounts owing to associates	11.0	10.7	-	-
	<u>511.7</u>	<u>433.4</u>	<u>480.6</u>	<u>338.0</u>

Trade payables are generally settled within 30 days of the date of recognition.

For terms and conditions relating to amounts owing to subsidiaries and associates, refer to Note 49.

Note 24 - Borrowings (current)

At amortised cost (2005: cost)

Bank overdrafts	6.9	1.9	-	-
Short-term money market borrowings	-	15.3	-	15.3
Bank loans	2,001.0	42.8	2,000.0	-
Promissory notes	-	175.0	-	175.0
Finance lease liabilities (Note 39)	0.4	0.3	-	-
Customer deposits	0.7	1.1	-	-
	<u>2,009.0</u>	<u>236.4</u>	<u>2,000.0</u>	<u>190.3</u>

Significant terms and conditions

Bank overdrafts are unsecured and are repayable on demand.

Short-term money market borrowings are unsecured and are repayable on demand.

Bank loans are unsecured and are repayable on maturity in November 2006 (2005: February 2006).

Promissory notes are unsecured and were repayable on maturity in July 2005.

Customer deposits relate to security deposits lodged with certain subsidiaries of the consolidated entity by gas and electricity customers.

These deposits are normally held for periods of either one or two years. The aggregate amount expected to be paid to customers within 12 months of the reporting date is shown as a current liability, with the balance shown as a non-current liability (refer Note 29).

Note 25 - Other financial liabilities (current)

Fair value derivatives (Note 53)	<u>224.0</u>	<u>-</u>	<u>3.0</u>	<u>-</u>
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Note 26 - Provisions (current)

Employee benefits	43.0	41.3	11.7	12.0
Environmental rehabilitation	3.8	4.2	3.3	3.8
Property rationalisation	1.5	6.0	1.5	6.0
Retail contestability initiatives	0.6	1.0	-	-
Onerous contracts	1.4	1.7	-	-
Other	9.2	6.1	0.3	0.7
	<u>59.5</u>	<u>60.3</u>	<u>16.8</u>	<u>22.5</u>

The provision for environmental rehabilitation was established to cover an estimate of the consolidated entity's obligations with respect to contaminated gas and electricity properties owned or formerly owned by the consolidated entity. The estimate may vary as a result of additional obligations being identified and the full extent of contamination being determined.

The provision for property rationalisation was established to recognise the costs associated with centralising geographical locations of a number of the consolidated entity's premises.

The provision for retail contestability initiatives represents the balance of the former gas customers' reserve account made available to partially offset the costs of implementing full retail contestability in the NSW gas market.

The provision for onerous contracts represents amounts recognised on the acquisition of the Pulse Energy businesses.



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 27 - Other liabilities (current)				
Unearned revenue	<u>3.6</u>	<u>8.9</u>	<u>-</u>	<u>0.2</u>
Note 28 - Trade and other payables (non-current)				
Amounts owing to subsidiaries	<u>-</u>	<u>-</u>	<u>1,135.3</u>	<u>984.2</u>
For terms and conditions relating to amounts owing to subsidiaries, refer to Note 49.				
Note 29 - Borrowings (non-current)				
<i>At amortised cost (2005: cost)</i>				
Medium term notes	599.1	600.0	599.1	600.0
Senior notes	704.0	796.2	704.0	796.2
Bank loans	100.3	-	59.4	-
Finance lease liabilities (Note 39)	8.7	1.6	-	-
Customer deposits	<u>9.0</u>	<u>9.0</u>	<u>-</u>	<u>-</u>
	<u>1,421.1</u>	<u>1,406.8</u>	<u>1,362.5</u>	<u>1,396.2</u>
<i>Significant terms and conditions</i>				
Medium term notes are unsecured and are repayable on maturity in October 2007 and September 2009.				
Senior notes are unsecured. The notes are denominated in US dollars and the consolidated entity's foreign exchange exposure has been fully hedged. Senior notes are repayable on maturity, partly in April 2008, September 2015 and in April 2018.				
Bank loans are unsecured and are repayable on maturity in February 2009.				
Customer deposits relate to security deposits lodged with certain subsidiaries of the consolidated entity by gas and electricity customers. These deposits are normally held by the consolidated entity for periods of either one or two years. Other gas deposits 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. The aggregate amount expected to be paid to customers within 12 months of the reporting date is shown as a current liability in Note 24.				
Note 30 - Other financial liabilities (non-current)				
Fair value derivatives (Note 53)	<u>260.7</u>	<u>-</u>	<u>105.9</u>	<u>-</u>
Note 31 - Provisions (non-current)				
Employee benefits	38.0	35.6	5.1	6.6
Environmental rehabilitation	10.1	3.2	0.9	2.8
Onerous contracts	2.5	5.4	-	-
Other	<u>1.9</u>	<u>1.8</u>	<u>0.2</u>	<u>0.4</u>
	<u>52.5</u>	<u>46.0</u>	<u>6.2</u>	<u>9.8</u>

The provision for environmental rehabilitation was established to cover an estimate of the consolidated entity's obligations with respect to contaminated gas and electricity properties owned or formerly owned by the consolidated entity. The estimate may vary as a result of additional obligations being identified and the full extent of contamination being determined.

The provision for onerous contracts represents amounts recognised on the acquisition of the Pulse Energy businesses.



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Note 31 - Provisions (non-current) (continued)

Reconciliations - current and non-current	Environmental rehabilitation \$m	Property rationalisation \$m	Retail contestability initiatives \$m	Onerous contracts \$m	Other \$m	Total \$m
Consolidated - year ended 30 June 2006						
Balance at beginning of year	7.4	6.0	1.0	7.1	7.9	29.4
Adjustment on adoption of AASB 132 and 139	-	-	-	(2.8)	-	(2.8)
Additional provisions recognised	8.3 (a)	-	-	-	2.0	10.3
Acquisitions through business combinations	-	-	-	-	5.0	5.0
Provisions utilised	(2.4)	(4.5)	(0.4)	(1.7)	(2.5)	(11.5)
Transfers	-	-	-	1.3	(1.3)	-
Unwinding of discount	0.4	-	-	-	-	0.4
Foreign currency exchange differences	0.2	-	-	-	-	0.2
Balance at end of year	<u>13.9</u>	<u>1.5</u>	<u>0.6</u>	<u>3.9</u>	<u>11.1</u>	<u>31.0</u>
Current	3.8	1.5	0.6	1.4	9.2	16.5
Non-current	10.1	-	-	2.5	1.9	14.5
	<u>13.9</u>	<u>1.5</u>	<u>0.6</u>	<u>3.9</u>	<u>11.1</u>	<u>31.0</u>
Parent Entity - year ended 30 June 2006						
Balance at beginning of year	6.6	6.0	-	-	1.1	13.7
Provisions utilised	(2.4)	(4.5)	-	-	(0.6)	(7.5)
Balance at end of year	<u>4.2</u>	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>6.2</u>
Current	3.3	1.5	-	-	0.3	5.1
Non-current	0.9	-	-	-	0.2	1.1
	<u>4.2</u>	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>6.2</u>

(a) The additional provision recognised for environmental rehabilitation represents the expected future restoration costs of removing facilities and restoring the affected areas and is capitalised as a component of oil and gas assets.



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 32 - Other liabilities (non-current)				
Unearned revenue	5.1	5.1	-	-
Other	20.5	0.2	20.2	-
	<u>25.6</u>	<u>5.3</u>	<u>20.2</u>	<u>-</u>

Note 33 - Issued capital

455,910,464 (2005: 456,576,944) fully paid ordinary shares	<u>1,997.3</u>	<u>2,010.1</u>	<u>1,997.3</u>	<u>2,010.1</u>
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Movement in fully paid ordinary shares

Details	Date	Number of shares	\$m
Balance at 1 July 2004		456,215,007	2,239.7
Issue of shares under AGL Long-Term Incentive Plan	1 Jul to 19 Nov 04	188,302	-
Issue of shares under AGL Share Reward Plan	18 Nov 04	173,635	-
Capital return of \$0.50 per share	29 Apr 05	-	(228.7)
Capital return transaction costs	30 Jun 05	-	(0.9)
Balance at 30 June 2005		<u>456,576,944</u>	<u>2,010.1</u>
Balance at 1 July 2005		456,576,944	2,010.1
Issue of shares under AGL Long-Term Incentive Plan	4 Jul & 5 Aug 05	15,074	-
Share buy back and transaction costs	31 Oct 05	(681,554)	(10.9)
Purchase of shares on market under AGL Long-Term Incentive Plan		-	(7.5)
Purchase of shares on market under AGL Share Reward Plan		-	(2.3)
Transfer from employee equity benefits reserve		-	7.9
Balance at 30 June 2006		<u>455,910,464</u>	<u>1,997.3</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998.

Accordingly, the Parent Entity does not have authorised capital or par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held.

Every ordinary shareholder present at a meeting of the Parent Entity in person or by proxy, is entitled to one vote per share.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 34 - Reserves				
Asset revaluation	2.6	-	-	-
Foreign currency translation	14.4	(4.5)	-	-
Employee equity benefits	(0.7)	(4.1)	(0.7)	(4.1)
Hedging	(46.1)	-	22.4	-
Other	(6.3)	-	-	-
	<u>(36.1)</u>	<u>(8.6)</u>	<u>21.7</u>	<u>(4.1)</u>

Movement in reserves

Asset revaluation

Balance at beginning of year	-	-	-	-
Share of increments in reserve attributable to an associate	2.6	-	-	-
Balance at end of year	<u>2.6</u>	<u>-</u>	<u>-</u>	<u>-</u>

The asset revaluation reserve represents the consolidated entity's share of the reserve of an associate.



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 34 - Reserves (continued)				
<i>Foreign currency translation</i>				
Balance at beginning of year	(4.5)	-	-	-
Translation of foreign subsidiaries	17.3	19.5	-	-
Transfer to retained earnings - disposal of foreign subsidiary	-	(24.0)	-	-
Net gain on hedge of net investment	1.6	-	-	-
Balance at end of year	<u>14.4</u>	<u>(4.5)</u>	<u>-</u>	<u>-</u>
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, as well as from the translation of liabilities that hedge the net investment in foreign subsidiaries.				
<i>Employee equity benefits</i>				
Balance at beginning of year	(4.1)	(13.4)	(4.1)	(13.4)
Share-based payments	9.1	4.1	9.1	4.1
Employee share loans repaid	2.2	5.2	2.2	5.2
Transfer to issued capital	(7.9)	-	(7.9)	-
Balance at end of year	<u>(0.7)</u>	<u>(4.1)</u>	<u>(0.7)</u>	<u>(4.1)</u>
The employee equity benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Amounts are transferred out of the reserve and into issued capital when the benefits have vested. Refer to Note 48 for further information on share ownership plans.				
<i>Hedging</i>				
Balance at beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139 (Note 55)	(123.3)	-	10.3	-
Restated balance at beginning of year	(123.3)	-	10.3	-
Cash flow hedges gain/(loss) taken to equity	(16.5)	-	17.1	-
Cash flow hedges gain/(loss) transferred to profit for the period	112.5	-	0.2	-
Deferred income tax	(18.8)	-	(5.2)	-
Balance at end of year	<u>(46.1)</u>	<u>-</u>	<u>22.4</u>	<u>-</u>
The hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.				
<i>Other</i>				
Balance at beginning of year	-	-	-	-
Share of decrements in reserve attributable to associates and jointly controlled entities	(6.3)	-	-	-
Balance at end of year	<u>(6.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
The other reserve represents the consolidated entity's share of the reserves of associates and jointly controlled entities.				
Note 35 - Retained earnings				
Balance at beginning of year	2,650.5	2,150.3	504.0	927.5
Adjustment on adoption of AASB 132 and AASB 139 (Note 55)	(30.4)	-	(0.2)	-
Restated balance at beginning of year	2,620.1	2,150.3	503.8	927.5
Profit attributable to shareholders of the Parent Entity	457.0	904.4	106.1	(0.7)
Dividends paid or provided (Note 8)	(287.4)	(420.2)	(287.4)	(420.2)
Transfer from foreign currency translation reserve	-	24.0	-	-
Actuarial gain/(loss) on defined benefit superannuation plans, net of tax	10.6	(2.6)	10.6	(2.6)
Share of income/(expense) recognised in retained earnings attributable to associates and jointly controlled entities	2.8	(5.4)	-	-
Balance at end of year	<u>2,803.1</u>	<u>2,650.5</u>	<u>333.1</u>	<u>504.0</u>



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	Consolidated	
	2006	2005
	Cents per share	Cents per share
Note 36 - Earnings per share (EPS)		
Basic earnings per share		
From continuing operations	100.2	53.5
From discontinued operations	-	144.6
Total basic earnings per share	<u>100.2</u>	<u>198.1</u>
Diluted earnings per share		
From continuing operations	100.0	53.4
From discontinued operations	-	144.4
Total diluted earnings per share	<u>100.0</u>	<u>197.8</u>
Basic earnings per share - before significant items		
From continuing operations	94.7	81.1
From discontinued operations	-	7.9
Total basic earnings per share - before significant items	<u>94.7</u>	<u>89.0</u>
Diluted earnings per share - before significant items		
From continuing operations	94.6	81.0
From discontinued operations	-	7.9
Total diluted earnings per share - before significant items	<u>94.6</u>	<u>88.9</u>
Basic and diluted earnings per share		
Earnings used in the calculation of total basic and diluted earnings per share and basic and diluted earnings per share from continuing operations reconciles to net profit in the income statement as follows:		
	2006	2005
	\$m	\$m
Profit attributable to shareholders of the Parent Entity	<u>457.0</u>	<u>904.4</u>
Earnings used in the calculation of basic and diluted EPS	457.0	904.4
Adjustments to exclude profit from discontinued operations	-	(680.2)
Profit attributable to minority interest	-	20.1
Earnings used in the calculation of basic and diluted EPS from continuing operations	<u>457.0</u>	<u>244.3</u>
	2006	2005
	Millions	Millions
Weighted average number of ordinary shares used in the calculation of basic EPS	456.1	456.5
Effect of dilution - LTIP share rights	0.8	0.7
Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>456.9</u>	<u>457.2</u>
Basic and diluted earnings per share - before significant items		
Earnings used in the calculation of total basic and diluted earnings per share before significant items and basic and diluted earnings per share before significant items from continuing operations reconciles to net profit in the income statement as follows:		
	2006	2005
	\$m	\$m
Profit attributable to shareholders of the Parent Entity	457.0	904.4
Significant items after income tax	(24.9)	(498.2)
Earnings used in the calculation of basic and diluted EPS before significant items	432.1	406.2
Adjustments to exclude profit from discontinued operations	-	(56.0)
Profit attributable to minority interest	-	20.1
Earnings used in the calculation of basic and diluted EPS before significant items from continuing operations	<u>432.1</u>	<u>370.3</u>



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 37 - Construction contracts				
Construction work in progress	63.3	38.2	-	-
Progress billings received and receivable	<u>(59.3)</u>	<u>(26.8)</u>	-	-
	<u>4.0</u>	<u>11.4</u>	<u>-</u>	<u>-</u>
Retentions included in progress billings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Recognised and included in the financial statements as:				
Amounts due from customers for construction contracts (Note 10)	<u>4.0</u>	<u>11.4</u>	<u>-</u>	<u>-</u>
Note 38 - Capital and other expenditure commitments				
Capital expenditure contracted for at reporting date but not provided for and payable:				
Property, plant and equipment	177.0	15.4	21.0	-
Consolidated entity's share of joint venture operations	3.3	-	-	-
Consolidated entity's share of associates	4.5	-	-	-
Consolidated entity's share of jointly controlled entities	<u>16.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>201.0</u>	<u>15.4</u>	<u>21.0</u>	<u>-</u>
Not later than one year	46.9	4.1	21.0	-
Later than one year but not later than five years	154.1	4.7	-	-
Later than five years	<u>-</u>	<u>6.6</u>	<u>-</u>	<u>-</u>
	<u>201.0</u>	<u>15.4</u>	<u>21.0</u>	<u>-</u>



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Note 39 - Lease commitments

Finance lease liabilities	Minimum future lease payments 2006 \$m	Present value of payments 2006 \$m	Minimum future lease payments 2005 \$m	Present value of payments 2005 \$m
Consolidated				
Not later than one year	0.5	0.4	0.4	0.3
Later than one year but not later than five years	1.5	1.4	1.7	1.6
Later than five years	<u>178.4</u>	<u>7.3</u>	-	-
Total minimum lease payments	<u>180.4</u>		<u>2.1</u>	
Less future finance charges	<u>(171.3)</u>		<u>(0.2)</u>	
Present value of minimum lease payments	<u>9.1</u>	<u>9.1</u>	<u>1.9</u>	<u>1.9</u>
Included in the financial statements as:				
Current borrowings (Note 24)		0.4		0.3
Non-current borrowings (Note 29)		<u>8.7</u>		<u>1.6</u>
		<u>9.1</u>		<u>1.9</u>

The Parent Entity has no finance lease liabilities.

Finance leases comprise leases of 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.

Finance lease receivables	Minimum future lease receivables 2006 \$m	Present value of receivables 2006 \$m	Minimum future lease receivables 2005 \$m	Present value of receivables 2005 \$m
Consolidated				
Not later than one year	4.5	0.5	-	-
Later than one year but not later than five years	19.2	1.8	-	-
Later than five years	<u>41.1</u>	<u>20.4</u>	-	-
Total minimum lease receivables	<u>64.8</u>		<u>-</u>	
Less unearned finance income	<u>(42.1)</u>		<u>-</u>	
Present value of minimum lease receivables	<u>22.7</u>	<u>22.7</u>	<u>-</u>	<u>-</u>
Included in the financial statements as:				
Current trade and other receivables (Note 10)		0.5		-
Non-current trade and other receivables (Note 15)		<u>22.2</u>		<u>-</u>
		<u>22.7</u>		<u>-</u>

The Parent Entity has no finance lease receivables.

The consolidated entity owns the Cawse power station that produces electricity, steam and desalinated water which is supplied to an entity that operates a nickel mine adjacent to the power station. The power station has been classified as a finance lease as it transfers substantially all the risks and rewards incidental to ownership of the asset.

Consolidated		Parent Entity	
2006	2005	2006	2005
\$m	\$m	\$m	\$m
Operating leases			
Non-cancellable operating lease rentals are payable as follows:			
Not later than one year	27.8	20.0	6.2
Later than one year but not later than five years	55.4	39.0	21.6
Later than five years	<u>38.9</u>	<u>50.0</u>	<u>32.4</u>
	<u>122.1</u>	<u>109.0</u>	<u>69.0</u>

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.



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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Note 40 - Contingent liabilities and contingent assets				
Contingent liabilities				
Bank guarantees in respect of the consolidated entity	13.0	8.5	147.4	96.5
Guarantees and warranties in respect of subsidiaries	16.4	35.5	207.9	81.6
Guarantees in respect of associates	5.0	5.0	5.0	5.0
Guarantees in respect of other entities (a)	23.8	21.8	23.8	21.8
Contingent consideration under contract (b)	92.2	-	-	-
	<u>150.4</u>	<u>70.8</u>	<u>384.1</u>	<u>204.9</u>

(a) The Parent Entity has provided a guarantee over a \$25.0 million bank facility utilised by TransACT. As at 30 June 2006 the facility had been drawn down to the amount of \$23.8 million (2005: \$20.8 million) and is included in guarantees in respect of other entities.

(b) Contingent consideration under contract consists of two amounts of \$41.2 million and \$51.0 million respectively. The first relates to the final payment on the PNG Upstream Gas project which is contingent upon project sanction and financial close. The second amount relates to the contingent payment of up to \$51.0 million which will be made if additional reserves are proven at Camden by December 2008, based upon an agreed reserve formula with reserves verified by an independent external expert.

Other contingent liabilities

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.

The Parent Entity has undertaken to provide financial support, as and when required, to certain wholly-owned subsidiaries, so as to enable those entities to pay their debts as and when such debts become due and payable.

The Parent Entity has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly-owned subsidiaries.

Contingent assets

AGL is party to an agreement in relation to the disposal of various entities to an associated entity (Australian Pipeline Trust). Under the agreement the parties have agreed that the extent to which stamp duty payable by the purchaser is otherwise than as estimated under the Share Sale agreement, an adjustment payment would be made to AGL. The amount of the potential payment payable by the purchaser has not been recognised at 30 June 2006, as it is contingent on obtaining relevant State and Territory duty relief and cannot be reliably measured at this stage.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Note 41 - Remuneration of auditors				
<i>Auditor of the Parent Entity</i>				
Audit and review of financial reports	1,779	920	269	139
Other regulatory audit services	90	269	-	-
Investigating Accountants Reports for demerger transactions	885	-	885	-
Independent Review Reports for directors forecasts for demerger transactions	545	-	545	-
Other audit assurance services	-	86	-	5
Adoption of Australian equivalents to International Financial Reporting Standards	466	326	466	326
	<u>3,765</u>	<u>1,601</u>	<u>2,165</u>	<u>470</u>
<i>Other auditors</i>				
Audit and review of financial reports	51	68	-	-

The auditor of The Australian Gas Light Company is Deloitte Touche Tohmatsu.



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Note 42 - Subsidiaries

	Country of incorporation	Ownership interest	
		2006 %	2005 %
Agility Management Pty Limited	Australia	100	100
Agility Services Pty Limited	Australia	100	100
Agility Team Build Pty Limited	Australia	100	100
AGL (Cawse) Power Pty Limited	Australia	100	100
AGL ACT Retail Investments Pty Limited	Australia	100	100
AGL Chile Operations SA	Chile	100	100
AGL COMindico Pty Limited	Australia	100	100
AGL Corporate Services Pty Limited	Australia	100	100
AGL Electricity (VIC) Pty Limited	Australia	100	100
AGL Electricity Limited	Australia	100	100
AGL Energy Limited (formerly CRH Holdings 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 Company (ACT) Pty Limited	Australia	100	100
AGL Gas Developments (Hunter) Pty Limited (formerly AGL Power Corporation (Victoria) Pty Limited)	Australia	100	100
AGL Gas Developments (PNG) Pty Limited (formerly AGL Consultancy Pty Ltd)	Australia	100	100
AGL Gas Developments (Sydney) Pty Limited (formerly AGL Wholesale Electricity Pty Limited)	Australia	100	100
AGL Gas Networks Limited	Australia	100	100
AGL Gas Production (Camden) Pty Limited (formerly CRH Holdings (Australia) Pty Limited)	Australia	100	100
AGL Gas Trading Pty Limited	Australia	100	100
AGL HP1 Pty Limited (a) (formerly SHP1 Pty Ltd)	Australia	100	-
AGL HP2 Pty Limited (a) (formerly SHP2 Pty Ltd)	Australia	100	-
AGL HP3 Pty Limited (a) (formerly SHP3 Pty Ltd)	Australia	100	-
AGL Hydro Maintenance Services Pty Limited (a) (formerly Southern Hydro Maintenance Services Pty Ltd)	Australia	100	-
AGL Hydro Operations Pty Limited (a) (formerly Southern Hydro Operations Pty Ltd)	Australia	100	-
AGL Hydro Partnership (a) (formerly Southern Hydro Partnership)	Australia	100	-
AGL International	Cayman Islands	100	100
AGL Investments Pty Limited	Australia	100	100
AGL NZ Energy Limited	New Zealand	100	100
AGL NZ Holdings Limited	New Zealand	100	100
AGL NZ Investments Pty Limited	Australia	100	100
AGL NZ Limited	New Zealand	100	100
AGL NZ Management Limited	New Zealand	100	100
AGL Pipelines Investments (QLD) Pty Limited	Australia	100	100
AGL Pipelines Investments Pty Limited	Australia	100	100
AGL Power Generation (Brown Hill) Pty Limited	Australia	100	100
AGL Power Generation (Mid West) Pty Limited	Australia	100	100



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Note 42 - Subsidiaries (continued)

	Country of incorporation	Ownership interest	
		2006 %	2005 %
AGL Power Generation (NSW) Pty Limited (b)	Australia	100	-
AGL Power Generation (QLD) Pty Limited (b)	Australia	100	-
AGL Power Generation (SA) Pty Limited	Australia	100	100
AGL Power Generation (Victoria) Pty Limited	Australia	100	100
AGL Power Generation Pty Limited	Australia	100	100
AGL Retail Energy Limited	Australia	100	100
AGL Sales Pty Limited	Australia	100	100
(formerly AGL Victoria Pty Limited)			
AGL Service Businesses Pty Limited	Australia	100	100
AGL (SHL) Pty Limited (b)	Australia	100	-
AGL South Australia Pty Limited	Australia	100	100
AGL Southern Hydro Holdings Pty Limited (a)	Australia	100	-
(formerly Meridian Energy Australian Holdings Limited)			
AGL Southern Hydro Investments Pty Ltd (a)	Australia	100	-
(formerly Meridian Energy Australia Investments Pty Ltd)			
AGL Southern Hydro Pty Limited (a)	Australia	100	-
(formerly Southern Hydro Pty Ltd)			
AGL Southern Hydro (NSW) Pty Limited (a)	Australia	100	-
(formerly Meridian Energy Australia Pty Ltd)			
AGL Technology Commerce Pty Limited	Australia	100	100
AGL TransACT Pty Limited	Australia	100	100
AGL Utility Services Pty Limited	Australia	100	100
AGL Wholesale Gas (SA) Limited	Australia	100	100
AGL Wholesale Gas Limited	Australia	100	100
Crofton Investments Pty Ltd	Australia	100	100
dingo blue Pty Limited	Australia	100	100
dingo blue Services Pty Limited	Australia	100	100
Dollar Wind Farm Pty Limited (a)	Australia	100	-
Dual Fuel Systems Pty Limited	Australia	100	100
EdgeCap Pty Limited	Australia	100	100
Empresa de Gas de la V Region SA (c)	Chile	100	100
Essential Energy Services Pty Ltd	Australia	100	100
Goodacre Development Pty Limited	Australia	100	100
H C Extractions Pty Limited	Australia	100	100
International Oil Proprietary Ltd	Chile	100	100
Inversiones AGL Chile Limitada	Australia	100	-
Macarthur Wind Farm Pty Ltd (a)	Australia	100	100
Navham Pty Limited	Australia	100	100
Porta-Gas Pty Limited	Australia	100	100
Radius Operations Pty Limited	Australia	100	100
Tauranga Civic Holdings Limited	New Zealand	100	100
The North Shore Gas Company Pty Limited	Australia	100	100
Victorian Energy Pty Limited	Australia	100	100
Wattle Point Wind Farm Pty Ltd (a)	Australia	100	-

(a) Acquired during the 2006 financial year.

(b) Incorporated during the 2006 financial year.

(c) Not audited by Deloitte Touche Tohmatsu Australia.



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Note 43 - Acquisition of subsidiaries and businesses

On 30 November 2005, the consolidated entity acquired 100% of the share capital of Meridian Energy Australia Holdings Ltd, an unlisted company that owned the Southern Hydro group which has one of the largest renewable hydro and electricity generation portfolios in Australia.

The fair value of the acquisition was \$1,451.4 million including costs directly attributable to the acquisition totalling \$12.1 million.

From the date of acquisition, the Southern Hydro group has contributed \$21.7 million to profit before finance costs and income tax to the consolidated entity. It is not practicable to determine the profit or revenue for the consolidated entity as if the acquisition had taken place at the beginning of the year as the risk management policies under AGL are different to those adopted by the Southern Hydro group prior to the acquisition. The risk management policies include policies on energy trading which affect the operational performance of the entity.

The consolidated entity also acquired the business and assets of Yambah Civil in October 2005 and Cable Layers in January 2006. These businesses specialise in the underground electricity cable installation services in Queensland and Western Australia respectively. The total consideration paid for the businesses was \$14.8 million which represented the fair value of net assets of \$5.6 million and goodwill on acquisition of \$9.2 million.

In the previous financial year, the consolidated entity acquired 100% of the share capital of Terra Gas Trader Pty Limited on 13 January 2005. The company supplies gas to South Australian power generation customers via the Moomba to Adelaide pipeline.

In the previous financial year, the consolidated entity acquired the business and assets of Oakland Construction on 16 June 2005. The business specialises in the underground electricity cable installation services in the south-east supply region of Queensland.

The provisional fair value of the identifiable assets and liabilities of the Southern Hydro group as at the date of the acquisition are:

	Consolidated			
	Provisional fair value recognised on acquisition	Carrying value at acquisition	Fair value recognised on acquisition	Carrying value at acquisition
	2006 \$m	2006 \$m	2005 \$m	2005 \$m
<i>Assets</i>				
Cash and cash equivalents	11.0	11.0	-	-
Trade and other receivables	52.4	43.7	15.6	15.6
Inventories	0.2	0.2	-	-
Other assets	1.4	1.4	0.3	0.3
Other financial assets	41.7	41.7	-	-
Property, plant and equipment	701.2	716.2	0.1	0.1
Intangible assets	301.2	120.2	-	4.1
Deferred tax assets	28.1	32.2	0.1	0.1
	<u>1,137.2</u>	<u>966.6</u>	<u>16.1</u>	<u>20.2</u>
<i>Liabilities</i>				
Trade and other payables	41.0	41.0	10.6	10.6
Borrowings	6.9	6.9	-	-
Other financial liabilities	80.6	80.6	-	-
Provisions	11.9	7.6	3.9	3.9
Deferred tax liabilities	68.6	89.6	-	-
Other liabilities	-	-	0.3	-
	<u>209.0</u>	<u>225.7</u>	<u>14.8</u>	<u>14.5</u>
Fair value of identifiable net assets	<u>928.2</u>	<u>740.9</u>	<u>1.3</u>	<u>5.7</u>
Goodwill on acquisition	<u>523.2</u>		<u>17.7</u>	
	<u>1,451.4</u>		<u>19.0</u>	
Consideration:				
Cash paid including directly attributable costs	<u>1,451.4</u>		<u>19.0</u>	
The net cash outflow on acquisition is as follows:				
Cash paid including directly attributable costs	1,451.4		19.0	
Less net cash acquired	11.0		-	
Net cash outflow	<u>1,440.4</u>		<u>19.0</u>	

The amounts recognised on acquisition above represent provisional assessments of the fair values of assets and liabilities acquired. These amounts will be finalised within twelve months from the date of acquisition.

Subject to finalisation of the provisional acquisition accounting, all identifiable intangible assets have been recognised separately from goodwill. Goodwill arises from various portfolio benefits that will arise from integrating the activities of the Southern Hydro business with that of the consolidated entity. These benefits include risk minimisation from the replacement of contracted hedge position with physical fast-start generation assets and other cost reduction opportunities. The acquisition and associated portfolio benefits will assist the consolidated entity in delivering lower average wholesale energy costs at times of peak electricity demand and enhance retail market competitiveness.



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Note 44 - Jointly controlled operations and assets

Joint venture/area	Principal activities	Output interest	
		2006 %	2005 %
Mid West Energy (a)	Power generation - Western Australia	50.0	50.0
Sydney Exploration	Gas exploration	50.0	-
Hunter Exploration	Gas exploration	50.0	-
Camden Gas Project	Gas production and exploration	50.0	-
PNG - PDL 2 Kutubu Oil Field	Oil production	11.9	-
PNG - PDL 4 Gobe Main Oil Field	Oil production	66.7	-
PNG - PDL 2 Moran Oil Field	Oil production	11.9	-
PNG - Central Moran Capital Projects	Oil production	5.4	-
PNG - PDL 4 SE Gobe Main Oil Field	Oil production	27.3	-
PNG - PDL 2 SE Mananda	Oil production	11.9	-
PNG - PL 3 Gobe Oil Pipeline	Oil transportation	47.0	-
PNG - PL 2 Kutubu Pipeline	Oil transportation	11.9	-
PNG Gas Project	Oil and gas production	10.0	-

(a) The consolidated entity's interest in the Mid West Energy JV was written off as at 31 December 2003.

The consolidated entity's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

	Consolidated	
	2006 \$m	2005 \$m
Current assets		
Cash and cash equivalents	2.7	-
Trade and other receivables	1.0	-
Inventories	11.3	-
Other assets	0.7	-
Total current assets	15.7	-
Non-current assets		
Exploration and evaluation assets	51.5	-
Oil and gas assets	487.8	-
Property, plant and equipment	13.2	-
Other assets	2.2	-
Total non-current assets	554.7	-
Total assets	570.4	-

The consolidated entity's share of capital expenditure commitments and contingent liabilities of jointly controlled operations are disclosed in Notes 38 and 40 respectively.



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Note 45 - Discontinued operations

In the previous financial year, the consolidated entity completed the disposal of its New Zealand energy business through the divestment of its 66% shareholding in NGC Holdings Limited on 14 December 2004.

The financial results of the discontinued operations for the year ended 30 June 2005 until disposal are presented below:

	Consolidated	
	2006	2005
	\$m	\$m
Profit from discontinued operations		
Revenue	-	206.7
Other income	-	-
	-	206.7
Expenses	-	(101.8)
Depreciation and amortisation	-	(30.5)
Finance costs	-	(10.3)
	-	(142.6)
Profit before income tax	-	64.1
Income tax expense	-	(8.1)
	-	56.0
Gain on disposal of business	-	628.2
Income tax expense	-	(4.0)
	-	624.2
Profit from discontinued operations	-	680.2
Cash flows from discontinued operations		
Operating activities	-	54.9
Investing activities	-	(9.6)
Financing activities	-	(41.7)
Net cash inflow	-	3.6
Details of the disposal		
The major classes of assets and liabilities disposed are as follows:		
<i>Assets</i>		
Trade and other receivables	-	59.1
Inventories	-	50.2
Other financial assets	-	6.6
Property, plant and equipment	-	713.2
Intangible assets	-	10.9
Deferred tax assets	-	15.7
Other assets	-	5.2
	-	860.9
<i>Liabilities</i>		
Trade and other payables	-	21.4
Borrowings	-	463.1
Provisions	-	22.5
Deferred tax liabilities	-	152.3
	-	659.3
Net assets attributable to discontinued operations	-	201.6
Cash consideration received	-	768.7
Net assets disposed of	-	(201.6)
Minority interest	-	61.1
Gain on disposal of business	-	628.2
Cash consideration received	-	768.7
Plus bank overdraft disposed	-	9.1
Net cash inflow on disposal	-	777.8



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Note 46 - Key management personnel disclosures

AGL has applied the exemption under the Corporations Amendments Regulation 2M.6.04 issued on the 6 June 2006, which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial report as required by paragraphs Aus25.4 to Aus25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the remuneration report of the Directors' Report and have been audited.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity and the Parent Entity, directly or indirectly, including the Directors of the Parent Entity.

The following persons were key management personnel of the consolidated entity and the Parent Entity during the financial year. Unless otherwise indicated these persons were key management personnel for the entire period.

Directors

M R G Johnson	Chairman and Non-executive Director
D C K Allen	Non-executive Director
P Anthony	Managing Director (appointed 1 May 2006)
Sir Ronald A Brierley	Non-executive Director
D P Craig	Non-executive Director
A B Daniels	Non-executive Director (retired 18 October 2005)
C J Hewson	Non-executive Director
G J W Martin	Managing Director (retired 28 February 2006)
M G Ould	Non-executive Director
G J Reaney	Non-executive Director

Executives

M A Fraser	Group General Manager Merchant Energy
M R Harper	Group General Manager Operations
G J Hayes	Chief Financial Officer
P M James	Group General Manager Retail Energy
J F McAloon	Group Manager Corporate and External Services, Company Secretary

Total remuneration for key management personnel of the consolidated entity and the Parent Entity during the financial year is set out below:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Remuneration by category				
Short-term employee benefits	7,193,125	5,610,356	7,193,125	5,610,356
Post employment benefits	718,604	660,291	718,604	660,291
Other long-term benefits	-	-	-	-
Termination benefits	1,905,002	443,000	1,905,002	443,000
Share-based payments	3,885,542	2,805,481	3,885,542	2,805,481
	<u>13,702,273</u>	<u>9,519,128</u>	<u>13,702,273</u>	<u>9,519,128</u>

Further details are contained in the remuneration report, found in the Directors' Report.



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Note 46 - Key management personnel disclosures (continued)

Shareholdings of key management personnel

2006	Balance at beginning of year	AGL Share Purchase Plan	Received on vesting of LTIP rights	Net change other	Balance at end of year
Directors					
M R G Johnson	183,151	15,215	-	-	198,366
D C K Allen	68,561	-	-	4,320	72,881
P Anthony	-	-	-	2,000	2,000
Sir Ronald A Brierley	69,065	6,357	-	-	75,422
D P Craig	2,000	1,241	-	-	3,241
A B Daniels	27,049	1,101	-	(28,150) (a)	-
C J Hewson	47,294	4,092	-	-	51,386
G J W Martin	547,745	-	189,538	(737,283) (b)	-
M G Ould	5,647	7,158	-	-	12,805
G J Reaney	70,931	4,524	-	15,005	90,460
Executives					
M A Fraser	124,695	-	23,720	-	148,415
M R Harper	38,595	-	13,961	-	52,556
G J Hayes	-	-	14,965	(14,965)	-
P M James	75,651	-	14,456	-	90,107
J F McAloon	15,000	-	10,252	-	25,252

(a) A B Daniels retired 18 October 2005.

(b) G J W Martin retired 28 February 2006

2005	Balance at beginning of year	AGL Share Purchase Plan	Received on vesting of LTIP rights	Net change other	Balance at end of year
Directors					
M R G Johnson	139,883	17,697	-	25,571 (a)	183,151
D C K Allen	54,643	-	-	13,918 (a)	68,561
Sir Ronald A Brierley	45,127	7,429	-	16,509 (a)	69,065
D P Craig	-	-	-	2,000	2,000
A B Daniels	15,166	2,442	-	9,441 (a)	27,049
C J Hewson	26,782	5,104	-	15,408 (a)	47,294
G J W Martin	529,328	-	18,417	-	547,745
M G Ould	2,781	2,866	-	-	5,647
G J Reaney	46,646	4,286	-	19,999 (a)	70,931
Executives					
M A Fraser	125,571	-	12,892	(13,768)	124,695
M R Harper	38,951	-	7,588	(7,944)	38,595
G J Hayes	-	-	5,065	(5,065)	-
P M James	75,651	-	7,857	(7,857)	75,651
J F McAloon	15,000	-	5,418	(5,418)	15,000
L J Fisk	114,136	-	45,033	(159,169) (b)	-

(a) The accrued value of retirement benefits for eligible Directors was reported in the 2004 Annual Report. It was utilised to purchase shares during the 2005 Financial Year. The value of shares purchased in this way by individual Director is shown below:

M R G Johnson: \$340,750	A B Daniels: \$125,813
D C K Allen: \$185,464	C J Hewson: \$205,328
Sir Ronald A Brierley: \$220,000	G J Reaney: \$226,500

(b) L J Fisk retired 16 August 2004.

Other transactions with key management personnel and their personally related entities

There are no other transactions between key management personnel and the Parent Entity or with any of its subsidiaries.



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Note 47 - Defined benefit superannuation plans

The consolidated entity makes contributions to three superannuation plans that provide defined benefit amounts to employees or their dependants upon retirement, resignation or death. Benefits are mostly in the form of a lump sum based on the employee's final average salary. These defined benefit plans are all closed to new members. All new members receive accumulation-only benefits.

The three plans are the SuperSolution Master Trust - AGL Division (SSMT), Equipsuper Fund (EF) and Electricity Industry Superannuation Scheme (EISS). On 13 January 2005, the consolidated entity acquired Terra Gas Trader Pty Limited (now known as AGL Wholesale Gas (SA) Limited). Employees in this entity are also members of the EISS. The figures provided in the following tables for EISS include this entity from the date of acquisition. On 30 November 2005, the consolidated entity acquired the Southern Hydro group. Employees in this group are also members of Equipsuper. The figures provided in the following table for Equipsuper include the Southern Hydro group from the date of acquisition.

The Parent Entity, as the sponsoring employer for the consolidated entity, recognises the defined benefit obligations and expenses for all the plans. The consolidated entity also contributes to defined contribution superannuation plans for employees which are also provided by these plans. Contributions made to these plans are expensed as incurred.

(a) Amount recognised in the statement of recognised income and expense

The consolidated entity has elected under AASB 119 *Employee Benefits* to recognise actuarial gains and losses in full, directly in retained earnings, in the period in which they occur. The actuarial gain/(loss) incurred during the year and recognised in the statement of recognised income and expense was:

	SSMT		EF		EISS		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Actuarial gain/(loss)	3.9	(0.5)	7.1	1.9	4.2	(5.1)	15.2	(3.7)
Tax effect	(1.2)	0.2	(2.1)	(0.6)	(1.3)	1.5	(4.6)	1.1
Actuarial gain/(loss)	2.7	(0.3)	5.0	1.3	2.9	(3.6)	10.6	(2.6)
(b) Expense recognised in the income statement								
Current service cost	5.8	6.2	2.0	1.4	0.7	1.0	8.5	8.6
Interest cost	6.3	6.6	3.1	2.7	1.1	0.9	10.5	10.2
Expected return on plan assets	(9.8)	(8.3)	(5.1)	(3.8)	(1.4)	(1.2)	(16.3)	(13.3)
Total expense recognised in the income statement as part of employee benefits expense (Note 5)	2.3	4.5	-	0.3	0.4	0.7	2.7	5.5
Actual return on plan assets	17.9	19.9	10.4	7.0	3.6	1.8	31.9	28.7
(c) Movements in the present value of the defined benefit obligations								
Opening defined benefit obligations	143.1	128.1	59.8	56.1	26.7	17.9	229.6	202.1
Current service cost	5.8	6.2	2.0	1.4	0.7	1.0	8.5	8.6
Interest cost	6.3	6.6	3.1	2.7	1.1	0.9	10.5	10.2
Contributions by plan participants	5.2	4.1	1.2	1.0	0.3	0.4	6.7	5.5
Government contributions	-	-	-	-	-	0.4	-	0.4
Actuarial loss/(gain)	4.3	12.0	(1.8)	1.4	(2.1)	5.7	0.4	19.1
Liabilities assumed in a business combination	-	-	15.5	-	-	1.7	15.5	1.7
Benefits paid	(17.4)	(13.9)	(3.8)	(3.6)	(6.1)	(1.3)	(27.3)	(18.8)
Net transfers in/(out)	-	-	-	0.8	0.2	-	0.2	0.8
Closing defined benefit obligations	147.3	143.1	76.0	59.8	20.8	26.7	244.1	229.6
(d) Movements in the fair value of plan assets								
Opening fair value of plan assets	152.4	134.2	63.0	55.5	24.3	18.1	239.7	207.8
Expected return on plan assets	9.8	8.3	5.1	3.8	1.4	1.2	16.3	13.3
Actuarial gain/(loss)	8.2	11.5	5.3	3.3	2.1	0.6	15.6	15.4
Employer contributions	6.6	8.2	1.0	2.2	0.9	3.6	8.5	14.0
Government contributions	-	-	-	-	-	0.4	-	0.4
Contributions by plan participants	5.2	4.1	1.2	1.0	0.3	0.4	6.7	5.5
Assets acquired in a business combination	-	-	15.9	-	-	1.3	15.9	1.3
Benefits paid	(17.4)	(13.9)	(3.8)	(3.6)	(6.1)	(1.3)	(27.3)	(18.8)
Net transfers in/(out)	-	-	-	0.8	0.2	-	0.2	0.8
Closing fair value of plan assets	164.8	152.4	87.7	63.0	23.1	24.3	275.6	239.7