

**The Australian Gas Light Company**

**SPECIAL GENERAL MEETING OF  
PROPRIETORS**

**Order of Proceedings**

**Wednesday, 3 July 2002**

**At 11.30am**

**WESLEY CONFERENCE CENTRE  
220 Pitt Street, Sydney**



## The Australian Gas Light Company

Good morning Ladies and Gentlemen

First, may I ask you to make sure your mobile phones are all turned off until the meeting is finished.

I am assured that the necessary quorum is present. So, I have pleasure in opening the Special General Meeting of Proprietors of The Australian Gas Light Company.

I am your Chairman, John Phillips, and I would like to welcome you here today.

In the 164 years of the Company's history, this meeting is quite a momentous occasion.

I say that for two reasons. The first is the business that we are here to transact.

But the second is the acquisition of the Pulse operations, which coincidentally was announced yesterday. A copy of the statement released to the Stock Exchange has been left on your seats.

This is a very important and strategic acquisition because it gives us a genuine dual-fuel business in Victoria, provides a much stronger growth platform and is expected to add to shareholder value, and earnings per share, from the outset.

AGL will now have over 800,000 electricity customers and 500,000 natural gas customers in Victoria, making us the market leader in that state.

The total cost was \$880 million, which includes almost \$80 million of working capital. Funding will be through a mixture of debt and new capital. Our gearing ratio will be virtually unaffected.

A share placement for \$325 million was completed overnight and a share purchase scheme will be made available to existing Proprietors. In short, you will be able to purchase some shares at the price paid by the institutions that participated in the placement.

Details will be in the Offer Document, which will be sent to Proprietors shortly, hopefully next week.

I would like to talk more about this exciting development but that is not why we are here. So I had best get on with the business of the day!

Firstly, I would like to apologise for the absence of two of our Directors.



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Mr Charles Allen and Sir Ron Brierley are both overseas on business and, unfortunately, were not able to organise their return in time for the meeting. They have been intimately involved with the process of conversion and fully support the resolution you are being asked to vote on.

All the other Directors are here, as you can see.

The Notice convening this Meeting has been sent to all registered Proprietors. I apologise for the size of the document. However, we felt it important that all the major issues were covered to help Proprietors to make an informed decision.

If you have no objection, I shall take the Notice as read?

Thank you!

The first thing to note is that this is not the Annual General Meeting. That will take place in October. This is a Special General Meeting and there is only one item on the agenda. That is to approve the conversion of AGL into a body corporate, including the adoption of a new constitution, and its registration under the Corporations Act 2001. So any comments or questions that you might have should be on that topic.

But let me kick off!

The Australian Gas Light Company obtained its Charter of Incorporation to light the streets of Sydney in September 1837. Interestingly, although the Act of the New South Wales Parliament bears the name of King William IV, he had unfortunately died on the 20<sup>th</sup> June 1837, but news of his death had not reached the colony. This preceded any Corporations Law and it also preceded the Australian Stock Exchange. In fact AGL is the oldest Australian company still trading under its original name.

Over the years, AGL's original constitution has been supplemented by a series of Acts of the NSW Parliament and by-law amendments, so that there is now a veritable maze of legislation and documentation, which is quite complex. For whatever reason, action was not taken to put the Company on the same footing as every other publicly listed company and to bring us under the Corporations Law.

During 2000, your Directors approached the NSW Government to deal with this issue, and particularly with the 5% limit on shareholding and the scaled voting requirement. Both were seen as inappropriate and unnecessary in current present circumstances.



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At a previous General Meeting I was asked how we could justify the changes. I said the question should rather be – “How could we justify **not** making the changes?”

- AGL had moved from being a monopolist NSW gas company to an electricity and gas energy group with business interests in all mainland states and territories, as well as New Zealand & Chile.
- The markets were opening for competition and the restrictions placed on AGL were not imposed on our competitors.
- The original consumer protection basis for the shareholding limitations was no longer relevant as adequate safeguards & protections were now contained in industry wide regulation.
- Shareholding limitations had become rare and were considered by many observers, for instance the ACCC, to be an impediment to competition.
- The shareholding limitation acted as a constraint on AGL’s ability to raise capital; and
- Finally, the scaled voting rights were anachronistic and were contrary to the “one share one vote” principle.

In April 2001 in a joint announcement the Company and the NSW Minister for Energy announced that legislative reforms would be put in place to reposition AGL with a modern constitution and without special shareholding limitations. Very early in the discussions it became clear that, with the maze of Acts & by-laws comprising the AGL constituent documents, the best course of action was effectively to close that chapter and convert AGL to a company registered under the Corporations Act. As you have seen in the Notice of Meeting the process also requires various approvals and legislation in the Federal Parliament, in other states, and in New Zealand to achieve the desired outcome.

In April 2001 we targeted the date for you to vote on the introduction of the reforms as the first half of 2002. We did not quite make it – but we came very close, and I can assure you the process has been very complex.

Let me now describe briefly “what will change” if you pass the resolution before you.

- The 5% shareholding limitation will be removed. Persons or corporations will be able to accumulate more than 5% of AGL’s shares on issue. However, that person or corporation will still need to comply with the obligations in the Corporations Act



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relating to disclosure of details of substantial shareholdings and the regulation of takeovers.

- Overseas investors will, of course, need to meet the requirements of the Foreign Acquisitions and Takeovers Act.
- The scaled voting system will disappear and be replaced with a “one share one vote” regime.
- AGL will have a new modern constitution, involving a number of changes. Most are not major. For instance we will cease to be called “Proprietors” and will be known as “shareholders”. Personally I regret that to some extent. A touch of antiquity can be attractive. But it is a small price to pay. We will still have much the same rights that currently exist as Proprietors and we have been able to retain our existing company name, that is The Australian Gas Light Company without needing to add “Limited”.
- The new constitution will contain provisions relating to shareholder approval of proportional takeover bids. This is spelt out in appendix B of the Notice of the Meeting but briefly it means that a proposed proportional take-over must be approved by shareholders. This reduces the risk that existing shareholders are left as a minority in AGL without having an opportunity to vote on the possibility. It also reduces the risk that a bidder might acquire control of AGL without payment of an adequate control premium.
- Currently a Proprietor can only appoint another Proprietor as his or her proxy. Under the new constitution a proxy holder need not be a shareholder of AGL.
- Final dividends are presently approved by, and declared at, the Annual General Meeting. We often have queries from Proprietors asking why the dividend can't be paid earlier, as in many other companies. Well the new constitution will allow your Directors to declare dividends and determine the payment date. So, in future, it is likely that the final dividend will be paid earlier, before the Annual General Meeting. We will be consistent with practice in most Australian listed companies.
- One of the quaint provisions in the current constituent documents is that all AGL's assets are vested in the Secretary of the Company. This reflects the history that the Company is not a corporate body for some legal purposes. I'm told that if you wish to sue the Company, you have to sue the Secretary, Mr Fisk. Under the new constitution, AGL will hold assets in its own name. Mr Fisk will be relieved of the responsibility. (I'm not sure if we can cut his salary as a quid pro quo).



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- The new constitution also contains some provisions which were not envisaged when our constituent documents were put together, but are available under the Corporations Act. For instance Directors would have greater flexibility in capital management, including for instance, the right to issue preference shares which have restricted rights to vote, priority of payment in the event of winding up and otherwise on terms the Directors might determine. These are reserve provisions to be used only if needed at some stage.
- Under AGL's current constituent documents, Proprietors who together hold 10% of the shares can requisition a meeting of Proprietors. After conversion shareholders with a minimum 5% of the vote, or alternatively 100 shareholders, can requisition a meeting.
- At future general meetings a quorum will be fifteen persons present or by proxy holding, together, not fewer than 50,000 shares. Seven Proprietors holding not fewer than 100 shares currently constitute a quorum.
- The Board currently has 8 directors. The Constitution will allow a **maximum** of ten but the number will not change from 8 until and unless the Board decides there should be an increase.
- Currently a Director must hold 2000 shares at the time of his or her appointment. The actual wording has created some uncertainty in the past so, in the new constitution, it has been made clear that the share qualification applies at the time a person is nominated for a Board position.
- Presently, changes to the constituent documents (other than legislative requirements) can be made by an ordinary resolution passed by 50% of Proprietors. Consistent with contemporary corporate governance practices, it is proposed that amendments to the constitution will henceforth require a Special Resolution passed by 75% of shareholders.

I now formally table the new Constitution of The Australian Gas Light Company. If anyone would like a copy, it is available on the AGL web site and some copies are available at the registration desk at the conclusion of the Meeting.

It is appropriate, at this time, to sincerely thank the NSW Government, the Commonwealth and the NZ Government for their diligence in addressing the various issues.

I would now like to turn to the Conditions attached to the resolution. These are Conditions which have to be satisfied before the conversion can take place. They are



designed to ensure that outstanding issues are resolved to the satisfaction of Directors to minimise or eliminate any adverse or unforeseen consequences of the conversion. Your Directors would also like to propose an amendment to one of the conditions and I will speak more on that shortly.

The remaining outstanding issues which we expect to be resolved are:

- That the Australian States & Territories agree with the Commonwealth's legislation to deal with the AGL conversion in relation to GST.
- That the Income Tax Act 1994 (New Zealand) is amended to ensure that there is no adverse NZ tax impost as a result of the corporate conversion of AGL. This is the condition that your Directors are proposing should be amended. We had expected that the amendment would have come into effect by now.

However, since the Notice for this Meeting were issued, the NZ Government has called an election for 27 July 2002, and the legislation incorporating the amendment has been held over until after the election. We had expected that it would have come into effect by now.

The amendment to the Conditions recommended by your Directors would have the effect of allowing the corporate conversion to proceed if other conditions have been met and after the New Zealand election has been decided, the Company receives assurance from the NZ Parliament that the necessary legislative amendments will be made with retrospective operation from 1 July 2002. In other words the NZ legislation would be dealt with in a similar manner and with similar risks, to the treatment of the foreshadowed Australian Commonwealth legislation.

The text of the proposed amendment has been placed on your seat together with the Notice of Meeting.

I will talk further about the process for considering this amendment, but for now, back to the remaining issues.

- We expect that provisional stamp duty liabilities to the states will be resolved. The Company has received relief from stamp duty liability in NSW and since the Notice of Meeting was issued, we have received relief also from Victoria and Queensland. Western Australia has levied \$1.9 million stamp duty on the Company and we are in discussions with the WA Government on this issue.
- Finally, we expect that appropriate regulations will be made under the Corporations Act 2001 to facilitate the conversion of the Company.



There remains a very small risk that the Commonwealth Tax legislation referred to in the Notice of Meeting may not be passed. If that transpired AGL would forfeit the balance of franking credits and the benefit of accumulated losses. GST might also flow from the conversion and there might arise capital gains consequences for the Proprietors.

However, your Directors have concluded that if it is reasonable for AGL and its Proprietors to proceed based on the assurances we have received from the Commonwealth Government, the support of the Federal Opposition and the legal opinion we have taken.

If you approve the motion then, as soon as the Conditions are satisfactorily dealt with, the Directors will request the NSW Minister for Energy to proceed with the conversion which will formally become a reality no earlier than one month after this Special General Meeting.

And now to the formal business. It is intended that the primary resolution be moved and seconded and, immediately thereafter, the amendment will be moved and seconded. To avoid confusion, I am willing to allow discussion on the primary resolution, the amendment or both.

When the discussion is complete, I will put the amendment to your vote. If you vote in favour, as I hope you will, the amendment will be incorporated into the primary resolution and I will put that to the vote.

Is that understood by everyone?

Thank you.

I will now ask Mr Johnson to propose the primary resolution set out in the Notice of Meeting.

Will some one second the motion.

Thank you.

Now, your Directors are recommending an amendment which would vary one of the Conditions in the primary resolution. I will also ask Mr Johnson to propose that the resolution be amended as set out in the paper distributed and in the slide you are looking at.



Is there a seconder for the motion?

Thank you.

I have both the primary and amending resolution moved and seconded.

The Meeting is now open to discussion. If any Proprietor wishes to speak, microphones are available. It will help in keeping an accurate record of the proceedings if the speaker will announce his or her name and whom he or she represents.

In the interests of allowing as many speakers as possible to participate, I would like to suggest that speakers try to limit themselves to, say, three minutes.

Where circumstances warrant, I am willing to waive the time limit provided the speaker is not abusing the process or being unduly long-winded or repetitive. I certainly do not wish to stifle any worthwhile or relevant debate.

You might like to indicate, as you speak, whether you are for or against the amendment, the primary resolution or both.

**(When all who wish to speak have completed their remarks).**

If there are no further comments.

As there are no comments,

I shall now put the amendment to the Meeting.

The effect of voting in favour is that the primary resolution will be changed to incorporate the amendment. The effect of voting against is that the primary resolution will not be changed.

Will all those in favour of the amendment, please raise their hand.

To the contrary?

I declare the motion carried.

If you are agreeable, the Meeting will now proceed to consider the primary resolution as amended.

Will all those in favour please raise their hand.



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To the contrary?

I declare the motion set out in the Notice of Meeting as amended was carried.

Ladies & Gentlemen thank you for your support and your patience. The business of this very historic Meeting is complete. I thank you for your attendance and I invite you to join the Board and Company staff for light refreshments in the vestibule.

I declare the Meeting closed.