

Directors' Report

The Directors present their report together with the Concise Financial Report of The Australian Gas Light Company and its consolidated entities, being the Company and its controlled entities, for the year ended 30 June 2003 and the Independent Audit Report thereon.

DIRECTORS

The Directors of the Company at any time during or since the financial year are:

Non-Executive Directors

M J Phillips, AM
M R G Johnson
Sir Ronald Brierley
G J Reaney
D C K Allen, AO
C J Hewson
A B Daniels, OAM

Executive Director

G J W Martin

Details of their qualifications, experience and special responsibilities are set out on page 39 of the Annual Report in the Corporate Governance section.

DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Regular Meetings		Special Meetings		Audit & Risk Management Committee		Nomination & Remuneration Committees		Health, Safety and Environmental Committee*	
	A	B	A	B	A	B	A	B	A	B
M J Phillips	9	10	2	2	–	–	2	2	1	1
M R G Johnson	8	10	1	2	–	–	2	2	1	1
G J W Martin	10	10	2	2	–	–	–	–	1	1
Sir Ronald Brierley	8	10	–	2	–	–	–	–	1	1
G J Reaney	10	10	1	2	4	4	2	2	1	1
D C K Allen	9	10	1	2	2	4	–	–	1	1
C J Hewson	10	10	1	2	4	4	–	–	1	1
A B Daniels	9	10	1	2	4	4	–	–	1	1

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

*There are two scheduled meetings of the Health, Safety and Environmental Committee each year. The second meeting for 2002/2003 was held in July 2003.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act 2001, at the date of this Report is as follows:

The Australian Gas Light Company Ordinary Shares

M J Phillips 72,997
M R G Johnson 124,208
G J W Martin 528,683
Sir Ronald Brierley 37,657
G J Reaney 42,318
D C K Allen 47,457
C J Hewson 21,168
A B Daniels 12,426

No options have been granted over any securities or interests of the Company or the consolidated entity.

PRINCIPAL ACTIVITIES

- Sale of gas and electricity
- Ownership and operation of natural gas and electricity distribution networks and operation of natural gas transmission pipelines
- Extraction and sale of LPG
- Power generation and energy processing infrastructure
- Investments in international energy businesses
- Realisation of property and property-related assets
- Investments in telecommunications enterprises

There were no significant changes to the nature of the Company's activities during the year.

REVIEW AND RESULTS OF OPERATIONS

The consolidated profit for the year after income tax attributable to Shareholders was \$295.0 million (2001/2002 \$192.1 million). A review of the operations and of the results of those operations of the consolidated entity during the financial year are contained on pages 4 to 37 of the Annual Report.

DIVIDENDS

The following dividends have been paid or declared by the Directors since 30 June 2002:

Final dividend of 27 cents per share (59.3% franked) referred to in the previous Directors' Report and paid on 16 October 2002 (Note 1.)	\$117.1 million
Interim dividend of 26 cents per share (61.5% franked) out of profits for the six months ended 31 December 2002 paid on 28 March 2003 (Note 2.)	\$114.2 million
Final dividend of 29 cents per share (62.1% franked) payable on 26 September 2003 (Note 3.)	\$130.5 million

Notes:

1. Under the Dividend Reinvestment Plan, Shareholders who elected to receive additional shares in the Company in lieu of receiving the 2001/2002 cash final dividend totalled 37,475.
2. Under the Dividend Reinvestment Plan Shareholders who elected to receive additional shares in the Company in lieu of receiving the 2002/2003 cash interim dividend totalled 36,209.
3. The proportion of the final dividend which Shareholders will elect to take in the form of further shares in the Company will depend upon their participation in the Dividend Reinvestment Plan at record date.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year other than:

- Those included in the front section of the Annual Report;
- On 3 July 2002 AGL raised \$380.0 million by way of a placement of 41.1 million fully-paid shares at \$9.25 per share;
- On 15 August 2002 AGL also issued \$95.2 million fully-paid shares at \$9.25 per share by way of a Share Purchase Plan to Australian and New Zealand Shareholders; and
- The issue of shares pursuant to the Dividend Reinvestment Plan, in relation to the October 2002 final dividend and the March 2003 interim dividend.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various Commonwealth, State and Territory environmental legislation in relation to energy (gas and electricity) operational, maintenance and construction activities, LPG production, power generation (natural gas, sewage and landfill gas) and land remediation works.

The Board meets as the Health, Safety and Environmental Committee in order to review the effectiveness of the health, safety and environmental management programme, called Life Guard.

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Environmental management performance is monitored on an on-going basis by way of risk-based Life Guard audits conducted by the Company using internal and external accredited auditors. In addition, the consolidated entity has its own management Health, Safety and Environment Committee which meets regularly to review the Company's environmental performance in detail.

Operational, Maintenance and Construction Activities

Gas and electricity activities were undertaken throughout Australia during the financial year. There has been one Environmental Infringement Notice issued by the NSW Environment Protection Authority (EPA) for a vehicle's exhaust emissions. The vehicle was found to have a leaking gasket causing poor fuel burning. Awareness sessions were performed to remind personnel to regularly check their vehicle's performance and carry out any preventative maintenance.

Since the end of the financial year AGL was found guilty of a breach of the Occupational Health & Safety Act in the Victorian County Court, in relation to the electrocution of a carpenter on a Rosanna building site in 1999. A fine of \$100,000 was imposed.

LPG Production (NSW)

Specific licence conditions exist under the NSW Protection of the Environment Operations Act 1997 (POEO Act). There have been no instances of non-compliance in relation to this licence during the reporting period.

Power Generation

Environmental licence conditions in NSW, Victoria and South Australia govern aspects of the management of generation assets. There has been one instance of non-compliance in relation to these licences during the reporting period, in our Victorian operations.

While no Environment Penalty Notice has been issued to date, a detailed environmental investigation and environmental facility audit was required and performed in conjunction with the Victorian EPA's input. An Action Plan has been developed to address the issues and is currently being implemented.

Land Remediation

Remediation works took place at the Steel Street site (Newcastle) and are currently proceeding at the Abbotsford site in NSW. Both sites are subject to environmental regulations under various NSW legislation, including the Contaminated Land Management Act 1997, the POEO Act and the Environmental Planning and Assessment Act 1979. Compliance performance is audited by the Company and by external accredited auditors as well as by the relevant environmental regulators. There have been no instances of non-compliance in relation to these sites during the reporting period.

EVENTS SUBSEQUENT TO BALANCE DATE

Apart from matters discussed elsewhere in the Annual Report and detailed below, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2003 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue new opportunities in Australia and overseas which show promise in adding value. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' AND SENIOR OFFICERS' EMOLUMENTS

Details of the Directors' and Senior Officers' emoluments are contained on page 44 of the Annual Report in the Corporate Governance section.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

- Liability to third parties (other than related entities) when acting in good faith; and
- Costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this Report and the Company Secretary, L J Fisk, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year the Company paid a premium in respect of a contract insuring all Directors of the Company as listed earlier, all Directors of related bodies corporate of the Company, secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act 2001 does not require disclosure of the information in those circumstances.

ROUNDING

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this twenty-first day of August 2003.



M J Phillips AM
Chairman