

Annual Report 2003

AUSTRALIAN PIPELINE TRUST ANNUAL FINANCIAL REPORT 2002-2003

Australian
Pipeline Trust

ARSN 091 678 778

"Our goal is clear – Australian Pipeline Trust will continue to be recognised as the leading transporter of natural gas in Australia while at the same time exploring further ventures that have the potential to provide a sound return to our unitholders."

**Jim McDonald, Managing Director
Australian Pipeline Limited**



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Australian Pipeline Trust is listed on the Australian Stock Exchange under the ticker symbol "APA".

APA is an industry leader in gas transmission infrastructure. APA has an interest in more than 7,500km of pipelines and a 25% share of Australia's natural gas transmission market.

APA had 244 million units on issue at 30 June 2003, held by 28,180 unitholders.

Year at a glance

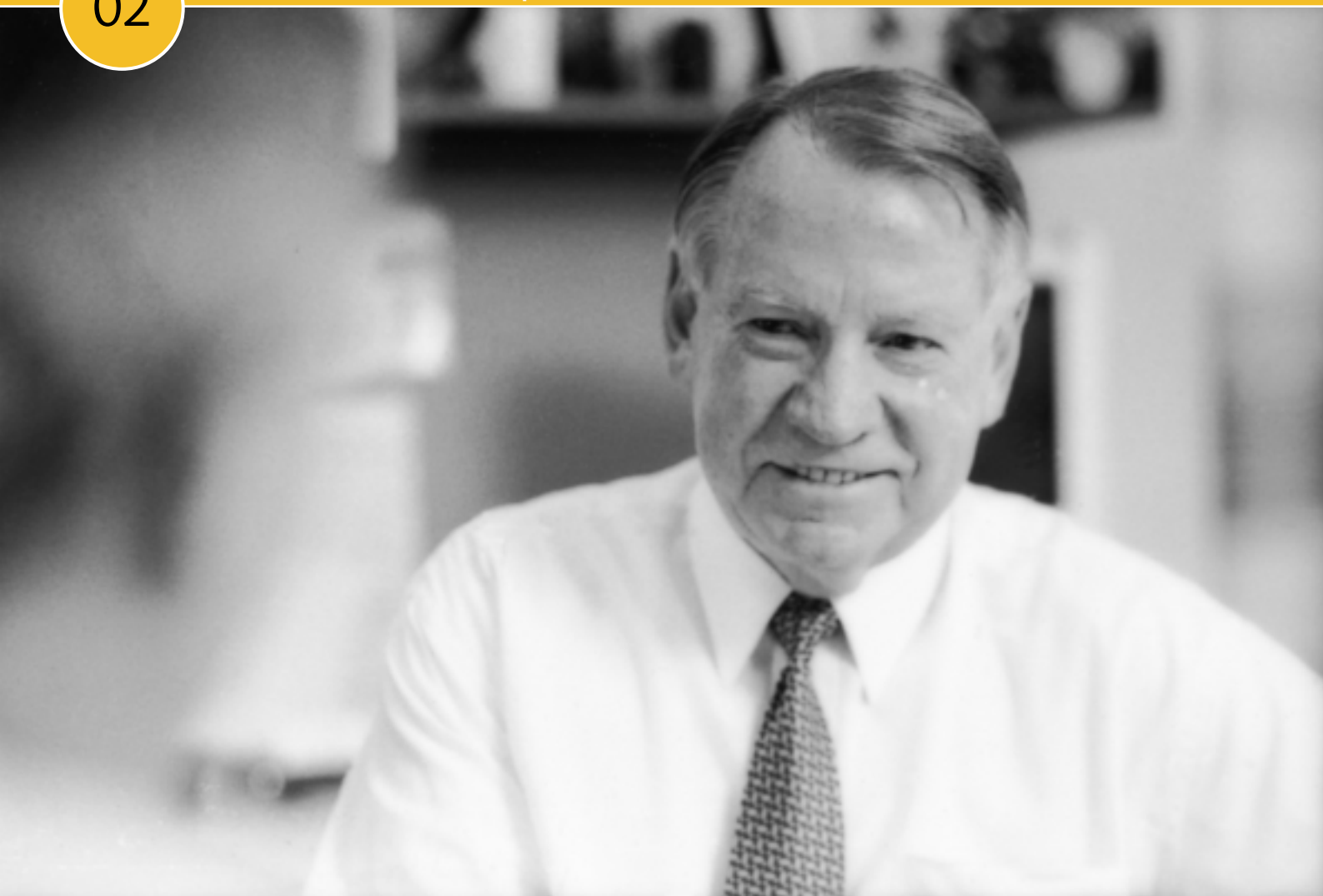
- Operating profit after tax and minorities was \$41.046 million, up 10.63% on the previous corresponding period ("pcp"), of \$37.101 million.
- Total revenue of \$271.912 million was \$16.5 million, (6.46%) above the pcp.
- Pipeline revenue, excluding Other Pipeline Revenue which is in the nature of passthrough revenue, was \$189.210 million, \$8.789 million (4.87%), up on the pcp.
- EBIT of \$113.724 million was \$7.835 million (7.4%) up on the pcp.

Key operating achievements

- Construction of looping stage 6 on the Roma to Brisbane Pipeline (Qld) to satisfy growing customer demand commissioned in October 2002.
- Agreeing to innovative interruptible and firm haulage contracts with existing customers on the Roma to Brisbane Pipeline to increase throughput.
- Installation of a compressor on the Carpentaria Gas Pipeline (Qld) to increase throughput, commissioned in December 2002.
- Acquisition of TransAlta Energy Corporation's interest in Goldfields Gas Transmission Pipeline (WA) completed in April 2003. APA's effective ownership in GGT is now 48.5%.
- Agreement reached with AGL Wholesale Gas Limited to transport gas in the Moomba to Sydney Pipeline post 2006, in addition to quantities previously agreed under the Gas Transportation Deed.

Financial Summary

Category	Year ended 30 June 2003 \$m	Year ended 30 June 2002 \$m	Year ended 30 June 2001 \$m
Pipeline Revenue	189.2	180.4	173.8
Other Pipeline Revenue	68.0	61.1	61.5
Other Revenue	14.7	13.9	14.0
Total Revenue	271.9	255.4	249.3
EBITDA	137.8	132.2	127.5
EBIT	113.7	105.9	103.6
Pre-tax Profit	65.1	59.1	53.3
Income Tax Expense	(23.8)	(21.7)	(22.3)
Operating Profit after Tax and Minorities	41.0	37.1	30.7
Earnings per Unit	16.8c	15.2c	12.6c
Net Tangible Asset Backing per Unit (after capital distributions)	\$1.79	\$1.76	\$1.82
Operating Cash Flow per Unit – excluding interest	56.4c	53.2c	59.1c
Interest Cover Ratio	2.4	2.4	2.1
Gearing Ratio (%)	63.3	63.4	61.9



This year marks the third anniversary of my term as chairman of Australian Pipeline Trust ("APA") and the third year since APA was floated on the Australian Stock Exchange. In each year, APA has been able to improve its performance and do so in a difficult and sometimes perplexing business environment. The board is truly proud of the achievements of APA during this time. There is much to be done and the task of continuing the success of APA will not get any easier as time goes by.

That said, I recognise that the natural gas industry generally, is undergoing rationalisation which will lead to even greater challenges for APA. When APA was formed, we were two years into a regulatory framework and disaggregation/privatisation was essentially complete. My observation is,

after three years of frustration, the industry did not get it right and rationalisation has become inevitable.

There are issues that have remained on the table since our inception, that are yet to be resolved equitably. Certainly, there are moves afoot to remove some of the inhibitors to the growth of natural gas as a major energy source in this country, but the progress has been slow and painful.

While I am pleased that the Productivity Commission is undertaking a review of the National Gas Access Code, I still have severe misgivings about the regulatory process in this country.

Legislation Overload

As an example, let me refer to a speech to the Australian Pipeline Industry Association last

"In each year, APA has been able to improve its performance and do so in a difficult and sometimes perplexing business environment."

October by the Minister for Industry, Tourism and Resources, the Honourable Ian Macfarlane. He pointed out that the energy industry – both gas and electricity – was subject to more than 130 pieces of legislation.

One company, Origin Energy, had revealed that it was forced to comply with 7,000(!) regulatory instruments just to operate in the national energy market. The administrative costs incurred by the industry to meet these regulations are about \$100 million every year.

This over-regulation is clearly not what was intended by our legislators. It is not possible to develop the infrastructure necessary to sustain a viable gas industry when we are dealing with these sorts of regulatory impediments.

It seems to me that the time and energy of the gas industry is being diverted in protracted regulatory disputes and at enormous cost, rather than developing and growing an important national energy resource. The events surrounding the Epic Energy pipeline regulatory case in Western Australia should indicate to even the most cynical critics of the gas industry, that the regulatory system requires rethinking.

In this climate, it is little wonder that international investors are reconsidering their position and new investors are likely to be extremely thin on the ground ... and the losers?

The losers are the Australian people and the industry consumers who could benefit from a guaranteed, stable, long-term supply of natural gas. The environment is also a loser as natural gas provides significantly less carbon dioxide and greenhouse gas emissions than most competing fossil energy sources.

Friendly and Green

In our industry, we are proud of the "friendly" attributes of our natural gas product. It is clean and "green" and provides some significant competitive benefits compared with other forms of energy. It is also important because it has the potential to keep competitive energy sources honest on both pricing and supply to consumers.

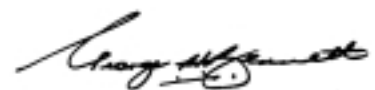
It should be evident to all that natural gas has a vital place in the Australian energy mix, but there must be reliability of supply and a guarantee of infrastructure growth to meet future needs.

At present, due to a short-sightedness of attitude and powerful sectoral interests, natural gas is being denied its rightful place in the national energy mix and therefore is failing to fulfil its promise to the nation.

To ensure continued growth of this clean energy source, we need investment and expansion. If investors are to be found, they will require a reasonable return on investment and a degree of industry stability that can only come about by the removal of impediments to investment. This critical situation has not yet changed.

I hope that within a short time some real progress will be made to create a viable and workable regulatory framework for the natural gas industry and the appropriate investment incentives to see our industry flourish.

I thank management and staff for their efforts and thank all unitholders for their continued support.



George H Bennett
Chairman



By any measure, APA has achieved its targets and key objectives for all stakeholders – and I am proud to lead a business that has delivered strong growth in net profit after tax over the last three years. Now the industry is at a crossroads and charting our course over the next few years will determine the long-term success of APA.

There are a number of key factors that need to be considered as we look to the future.

Industry Rationalisation Quickens

It is clear that rationalisation is now taking place in the energy sector and related industries. As a result, we have an expectation that opportunities will arise for APA to further invest in the industry. As natural gas pipelines come up for sale, we will seek to buy them, at the right price.

Our ownership "wish list" includes a suite of pipelines, both regulated and non-regulated, with returns related to risk, to ensure a significant diversification within this asset class. I believe that APA is well positioned to take advantage of further rationalisation in the industry.

Diversifying Our Business

It is our belief that rationalisation in the energy sector offers a number of key opportunities for APA to diversify its operations. Firstly, we need to diversify within our pipeline business to reduce the emphasis on the Moomba to Sydney Pipeline in the anticipated availability of competitively priced gas at Moomba. The rationalisation of the pipeline industry should provide opportunities for this to take place.

Second, there is a need to diversify from our current focus on pipelines to encompass associated industries. Oil and gas production companies are winding back from vertical integration and are concentrating their capital at the wellhead. As a result, we believe there is an opportunity for us to invest in what would be traditionally seen as field or production infrastructure facilities.

These opportunities include power generation and gas production infrastructure that traditionally have been part of the production process and cover compression metering and drying plants. This is an area of diversification we are currently contemplating.

As part of our strategy to generate future growth and to diversify the business, we also will look to invest in a range of new assets. For instance, within the pipeline transmission sector,

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oil pipelines are assets that would have real synergy with our current operations.

Other fluid systems, such as water pipelines, are also being considered. Power generation, linked to our pipeline systems, is also an attractive possibility that is complementary to our core business. In some of these businesses, for example power generation, we may wish to invest but not seek to acquire the expertise to operate them. A preferred position is to seek partnerships with those who have those skills.

It is also feasible that as we develop our business and expand our balance sheet we will seek additional equity in the future. We intend to outline some of our equity raising plans at the annual information meeting on 21 October 2003.

Gas Volumes

We have a very real concern about the volume of gas available for contracts out of the Moomba field. Despite claims by some producers to the contrary, large users are beginning to face the prospect of not being able to secure the gas they require over the life of particular projects.

We gain comfort from the knowledge that coal bed methane ("CBM") has been contracted by AGL for the first time to service southern markets from Queensland.

Securing Future Natural Gas Supplies

We will continue to look towards future natural gas supplies and the growth of gas as a significant part of the national energy mix. Our position is that gas from the north, such as from Papua New Guinea, will provide long term gas security for south east Australia at a competitive price, for all consumers.

However, we believe that CBM from Queensland is necessary as an alternative supply into the south east Australian gas

pipeline system as a short and perhaps even a medium-term supply solution.

APA believes that CBM will address a supply problem, but is not yet proven to be a viable long-term alternative. In the future, we envisage some competition for the supply of gas into south east Australia and believe that CBM will allow us to compete in this market until northern gas becomes a reality.

The Regulatory Minefield

I have not yet touched on regulatory issues in my report – our position has been clear for a number of years now. We are critical of the complexities, the confusion, the cost and the distraction caused by the current regulatory maze. We remain hopeful that an efficient and much improved regulatory policy is at least, shall we say, in the pipeline.

Minister Macfarlane has expressed the view that an efficient and effective regulatory policy, that is fair to all stakeholders and provides the necessary security to generate private infrastructure investment, is in the national interest. We wish him every success and support in this endeavour.

In closing, I believe that the next 12 months are likely to be a watershed for APA and the decisions we take during this period will shape our fate, well into the future.

We welcome the proposed review of the National Gas Access Code and the emerging rationalisation of the gas pipeline industry. With these levers in place, our organisation and the gas industry is well placed to grow into the future.



James K McDonald
Managing Director

Diversification of Risk

APA's business is characterised as having a high quality portfolio of assets, strong cash flow underpinned by long-term contracts with high quality customers, and well-defined risks.

The Moomba to Sydney Pipeline ("MSP") system provides over 37% of APA's total revenue. This pipeline has predictable revenue to 2007, and a measure of revenue certainty to 2016 through the Gas Transportation Deed ("GTD") with AGL Wholesale Gas Limited ("AGLWG"). The negotiators of the GTD took into account the likely consequences of competition reform and full retail contestability. The contract reflects conservative estimates of AGLWG's capacity and volume requirements for New South Wales and the Australian Capital Territory following the introduction of full retail contestability in the gas market. Consequently, over the next few years until 2007, AGLWG's contracted position reduces, with a corresponding reduction in revenue.

Now that full retail contestability is operating, though delayed, we anticipate either alternative gas aggregators or major gas users will emerge and require capacity, or AGLWG may require additional capacity above that which has been contracted under the GTD.

While APA is exploring marketing opportunities to improve the contracted position in the MSP, it is vital that APA looks to diversify its revenue base away from reliance on MSP as the major revenue contributor.

In that context, the healthy increase in the contribution to revenue from the Queensland and Western Australian pipelines is relevant.

Industry Rationalisation

Industry rationalisation also presents opportunities which APA is well positioned to pursue. Overseas asset owners, having reassessed their investment decisions within Australia, have decided to exit. In particular, the majority of the present owners of Epic Energy ("Epic") have indicated a desire to exit their investment. Epic's assets include the Dampier to Bunbury natural gas pipeline and the Pilbara East pipeline in Western Australia; the Moomba to Adelaide pipeline in South Australia and the South West Queensland pipeline in Queensland.

A formal sales process should shortly begin to offer the Epic assets publicly and APA will be pursuing the assets strongly but sensibly.

Several minority interest pipeline owners are considering divestiture. APA has appointed advisers and commenced a due diligence process in preparation for lodging bids for the Epic assets and other minority interests as opportunities emerge.

2002 Issues

A number of key industry and policy issues relevant to the longer term success of APA, outlined in the 2002 Annual Report, have been addressed during the past financial year. Some success has been achieved. However, given the size and complexity of some of these issues, work will continue on them throughout the ensuing years.

Gas Supply to South East Australia

A new major natural gas supply to complement the existing Cooper Eromanga Basin production remains a primary strategic issue for APA. The Papua New Guinea ("PNG") gas producers continue to seek sufficient foundation customers to warrant development of the gas production and treatment facilities in PNG and a gas pipeline into Australia and down to Moomba. They have not yet succeeded in this task.

Delivery of Timor Sea gas to south east Australian markets also appears to have lost momentum. Indications are that the quantity of gas that would be available for south east Australian markets, after contracts for export liquified natural gas and the Northern Territory market needs have been satisfied, is insufficient to underpin the development of a natural gas pipeline to Moomba. Additional discoveries and development are necessary.

In Western Australia, there have been positive signs that the North West Shelf producers and the Western Australian Government agree on the development potential of a trans-Australian pipeline. It is possible that south and east Australia could be supplied by North West Shelf gas within the next decade.

Exploration continues in the hydrocarbon provinces of Victoria. The imminent development of offshore Otway and Yolla fields will assist in preventing a shortfall, but this is seen as a stop-gap measure.

In Queensland, APA is encouraged by the development of CBM as a complement to natural gas. Our confidence about this potential source of gas has increased with AGL contracting to acquire quantities of CBM from Queensland coupled with the technological improvements in deliverability.

While we still believe that northern gas will eventually be brought to market, it is clear that the necessary foundation loads and incentives to underpin the capital required to make the dream a reality, are still not present.

National Energy Policy

The Minister for Industry, Tourism and Resources, the Honourable Ian Macfarlane, has now announced the central principles of a national energy policy which included reference to the revision and administration of the National Gas Access Code ("Code").

The Productivity Commission has been appointed by the Minister to undertake a revision of the Code and terms of reference for that review ("Inquiry") have been published. APA is active together with the Australian Pipeline Industry and Australian Gas Associations, in representations to the Inquiry with the objective of improving the quality, and reducing the cost, of regulation of natural gas transmission.

The terms of reference for the Inquiry are broad and provide a unique opportunity for the environmental and economic benefits of natural gas to be well understood by the Productivity Commission.

The Productivity Commission has set down a date in early September 2003 to begin hearings, and expects to complete its work by June 2004.

Industry is arguing for a national energy policy which provides the correct incentives for investment in greenfields projects, as well as delivering both the environmental benefits and the long-term positioning of natural gas in Australia's energy mix.

Regulatory Issues

Our regulatory system continues to hinder the development of the gas transmission industry. The cost of meeting the ever-increasing demands of regulation grows with the negative impact on business becoming more pronounced.

We are still awaiting a satisfactory outcome to our request for revocation of coverage of the MSP under the Code. The National Competition Council ("NCC") has recommended coverage of the MSP, notwithstanding that the Duke Energy owned Eastern Gas Pipeline, which operates in direct competition with the MSP, is not subject to the Code. We consider that our case is compelling, and believe the NCC arguments are flawed.

The NCC's recommendation has been with the Minister since November 2002. We await his decision before considering whether further action is necessary in this matter.

In Queensland, the NCC has recommended to the Honourable Ian Campbell, Parliamentary Secretary to the Treasurer, that the agreements between the State of Queensland and APA subsidiaries on the Carpentaria Gas and Roma to Brisbane Pipelines have resulted in "ineffective" regimes.

Both the Queensland Government and APA disagree strongly with the NCC position. We believe that the effectiveness of those regimes will be fully explored by the Productivity Commission in its Inquiry into the application of the Code as it applies to gas transmission.

In Western Australia, we await a further draft determination under the Code on the Goldfields Gas Transmission Pipeline ("GGT"). In its first draft determination, the Western Australian Office of Gas Access Regulation ("OffGAR") did not take into account certain conditions in the State Agreement. These were designed to protect the interests of the owners of the pipeline from the commercial impact of the implementation of the Code. Following a landmark Supreme Court decision in favour of Epic, OffGAR has decided to issue another draft determination on GGT. As a result, litigation which GGT joint venturers had commenced to protect their interests under the State Agreement, has been deferred pending OffGAR's revised draft determination.

Building the Base for Natural Gas Usage

The National Electricity Market Management Company report, released in July 2003, notes that strong growth in demand is leading to declining power reserves across all main regions.

As recently as July 2003, the national broadsheets were outlining the likely shortfall in power generation and rising power prices to consumers.

While coal-fired power generation is one method of addressing the shortfall, we are all aware of the environmental cost of carbon dioxide emissions. Natural gas provides a more acceptable alternative, but needs a policy environment designed to allow it to compete against the relatively cheap cost of coal.

As we said in the 2002 Annual Report, "an effective energy policy will provide the impetus for the delivery of new supplies of natural gas and for the market confidence necessary for significant investment in pipeline infrastructure to take place".

Australian Government initiatives announced by the Honourable Ian Macfarlane, have led to the Council of Australian Governments considering a number of energy reform matters.

APA supports the Australian Government's initiatives to address the lack of effective national energy policy. It is hoped that early resolution will enable the nation to move expeditiously forward to a sensible and practical regime.

Committed to building an enduring
and profitable business for our unitholders.



Kevin Dixon, Graeme Williams, Jim McDonald, Michael McCormack and Austin James.

James K McDonald FAICD

Managing Director – Executive Director

Read Mr McDonald's particulars with the Director's Report on page 14.

Kevin F Dixon BE (Elec), FIEAust

General Manager, Strategic Planning

Mr Dixon is responsible for developing medium and long term strategies of the Trust to ensure it remains the leading natural gas transmission business in Australia. He has had various management and board roles in the energy industry including over 20 years with Esso Australia. Mr Dixon is a Fellow of the Institution of Engineers, Australia.

Graeme N Williams CPA

Chief Financial Officer

Mr Williams is responsible for the financial management of the Trust. This includes accounting, treasury and taxation functions. Mr Williams joined APA with 30 years

accounting experience, including 11 years in public accounting. Prior to joining APA, Mr Williams was Chief Financial Officer and Executive Director of Lucent Technologies Australia Pty Limited and had spent eight years as Chief Financial Officer and Company Secretary of JNA Telecommunications Limited.

**Michael J McCormack
BSurv, GradDipEng, MBA, FAICD**

General Manager, Commercial

Mr McCormack is responsible for the commercial performance of APA which includes marketing, contract management, regulatory affairs, capacity management and acquisitions. Mr McCormack has extensive senior management experience in all aspects of the gas transmission business, including operations and project development and in particular dealing with the Australian gas pipeline regulatory environment.

Mr McCormack holds office in various joint venture committees and subsidiary boards. Prior to joining APA, Mr McCormack was responsible for regulatory management of AGL's pipelines.

Austin J V James LLB

**Company Secretary/
General Manager, Corporate**

Mr James is responsible for the management of corporate services functions including public and unitholder relations, legal services, and administration, and is also the Company Secretary of the responsible entity, Australian Pipeline Limited. Mr James has substantial experience in corporate, legal and regulatory roles. Mr James has been admitted to the Supreme Court of New South Wales as a barrister.

Australian Pipeline Trust (ARSN 091 678 778) and controlled entities

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The directors of Australian Pipeline Limited ("responsible entity") are responsible for the corporate governance practices of Australian Pipeline Trust ("APA" or "Trust") and its controlled entities (together "consolidated entity"). This statement sets out the main corporate governance practices that were in operation throughout the financial year or as indicated. In the light of the best practice recommendations released by the Australian Stock Exchange ("ASX") in March 2003, APA is undertaking an extensive review of its corporate governance framework to ensure that it addresses all best practice recommendations.

Duties of the Responsible Entity

The primary duties and obligations of the responsible entity include:

- exercising its powers and performing its functions under the constitution of APA ("constitution") dated 18 February 2000, as amended, diligently and in the best interest of unitholders; and
- ensuring that the business of APA is carried on and conducted in a proper and efficient manner, with appropriate risk management controls.

The responsible entity fulfils its primary duties and obligations through the operation of a suitably qualified board of directors ("board" or "directors"), professional executive management and an internal control framework. There is a clear distinction between the roles and responsibilities of the board and executive management.

The Board of Directors

Responsibilities

The board is accountable to unitholders for the business and affairs of the consolidated entity. Specifically, the board sets the strategic direction of the consolidated entity, establishes financial and non-financial goals for management, reviews the performance of the managing director and senior executives, and ensures that unitholders' funds are prudently safeguarded. The directors of the responsible entity are under a fiduciary duty to unitholders to act in unitholders' best interests in relation to decisions affecting APA when they are voting as a member of the board.

Day to day management of the consolidated entity's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the board to the managing director and senior executives.

Composition of the Board

The board consists of seven directors. Six of these directors, including the chairman of the board, are non-executive directors, with the managing director being an executive director. Directors are appointed by a majority vote of the board which is ratified by the shareholders of the responsible entity. Selection as a director is based on skills, qualifications and experience. The names and particulars of the directors and their attendance at meetings during the financial year are set out in the Directors' Report on pages 13, 14 and 19 respectively.

Directors' Independence

The board is comprised of a majority of independent directors as defined under the Corporations Act 2001. APA has a policy to ensure that matters which involve unitholders with a significant interest, are addressed in a manner which is in the best interests of all unitholders, and which excludes interested parties from the decision-making process.

Entities connected with Mr L J Fisk and Mr J A Fletcher had business dealings with the consolidated entity during the financial year as described in Note 38 to the financial statements. In accordance with board policy, the directors concerned declared their interests in those dealings with APA and took no part in the decisions relating to them.

Independent Professional Advice

With the prior approval of the chairman, each director has the right to seek independent legal and other professional advice at APA's expense concerning any aspect of APA's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Conflict of Interest

Policies exist to ensure that any conflict of interest which a director, officer or senior executive may have in a transaction or matter in which APA is involved is disclosed and considered by the board prior to the transaction or matter being determined.

Board Committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The current committees are Audit and Risk Management, Remuneration and Nominations. Each committee is comprised of non-executive directors and the committee structure and membership are reviewed on an on-going basis. The Nominations Committee was formed during the current financial year to recommend appointments of the independent chairman

and directors, managing director/chief executive officer and chief financial officer.

The Nominations Committee meets on a "needs" basis.

Minutes of committee meetings are tabled at the immediately subsequent board meeting. The member details and responsibilities of each committee are discussed below.

Audit and Risk Management Committee

The board has established an Audit and Risk Management Committee ("committee") consisting of three non-executive directors (a majority of whom are independent). The current members of the committee are:

Mr R J Wright (chairman);
Mr J A Fletcher; and
Mr T C Ford.

The managing director, chief financial officer, company secretary and the external auditor attend meetings at the discretion of the committee. The committee held 5 meetings during the financial year. The details of meetings attended by each member is set out in the Directors' Report on page 19.

The responsibilities of the committee are to:

- (a) recommend to the board the appointment of the external auditors and their fees;
- (b) review and/or evaluate:
 - the audit plan of the external auditor;
 - the performance of the external auditor;
 - the provision of non-audit services by the external auditor, including the quantum of fees and the types of activities performed;
 - the effectiveness of the internal review processes;
 - the management letters from the external auditor and management's responses;
 - the adequacy and effectiveness of the reporting and accounting controls of the consolidated entity;

- the financial reports to be made to unitholders and/or the public prior to their release;
 - the consolidated entity's exposure to business risks;
 - reports from management, the compliance service provider and/or the external auditor concerning any significant regulatory, accounting or reporting development to assess potential financial reporting issues;
 - the adequacy of risk management strategies in relation to the maintenance, operations or replacement of assets of the consolidated entity and make recommendations to the board;
 - the adequacy of risk management strategies in relation to any statutory or policy requirements, including environment, and occupational health and safety, and make recommendations to the board;
- (c) approve and recommend acceptance to the board of:
 - all significant accounting policy changes;
 - the consolidated entity's taxation position;
 - half yearly and annual financial statements;
 - (d) determine that no restrictions are being placed upon either the internal review processes or the external auditor;
 - (e) monitor the standard of corporate conduct in areas such as arms length dealings and likely conflicts of interest;
 - (f) direct any special projects on investigations deemed necessary by the board; and
 - (g) perform other duties as directed by the board, from time to time.

Remuneration Committee

The board has established a Remuneration Committee ("committee") consisting of three non-executive directors (a majority of whom are independent). The current members of the committee are:

Mr G H Bennett (chairman);
Mr L J Fisk; and
Mr M Muhammad.

The managing director and company secretary attend at the discretion of the committee.

The primary functions of the committee are to:

- (a) review and recommend to the board:
 - the remuneration of the directors of the responsible entity;
 - the remuneration for the managing director;
 - the remuneration for the executives of the consolidated entity;
 - proposals for the issue of units to staff;
 - proposals for executive unit plans and other long term incentive programs;
 - proposals for other reward initiatives including incentive plans for the managing director, executives and other staff of the consolidated entity;
 - new superannuation plans or amendments to existing superannuation plans;
 - the succession plans for the direct reports and other positions considered to be of corporate significance periodically;
 - employment contracts and letters of appointment in accordance with policy and prevailing industrial relations legislation;
- (b) keep abreast of all human resource policy initiatives affecting the basis and nature of all employees' relationships with the consolidated entity; and

- (c) perform other duties as directed by the board, from time to time.

The committee may seek independent advice on any matter brought to its attention for review. The managing director is invited to the committee meetings, as required to discuss direct reports' performance and remuneration packages.

There were 5 meetings of the committee during the financial year. The details of attendance by committee members are set out on page 19 of the Directors' Report. The details of directors' and executives' remuneration are set out in the Directors' Report on pages 20 and 21 and Note 36 to the financial statements.

Nominations Committee

The board has established a Nominations Committee ("committee") consisting of three non-executive directors (a majority of whom are independent). The current members of the committee are:

Mr G H Bennett (chairman);
Mr L J Fisk; and
Mr M Muhammad.

The terms of reference of the committee are to:

- (a) review and make recommendations to the board on the composition of the board and the criteria for board membership;
- (b) ensure that a proper succession plan is in place and consider and nominate a panel of candidates with appropriate expertise and experience for the positions of chairman, independent directors, managing director/chief executive officer and chief financial officer for consideration by the board;
- (c) recommend to the board the terms of appointment of any proposed new non-executive director where considered necessary;

- (d) review the membership of other committees and make recommendations to the board;

- (e) consider and nominate a panel of candidates with appropriate expertise and experience for the referenced positions to be considered by the board; and

- (f) perform other related tasks as directed by the board, from time to time.

The committee met once during the past financial year, and the meeting was attended by all members.

Risk Management

A system of internal controls in relation to the operations of APA is set out in the compliance plan of the responsible entity. The compliance plan provides a system of regular reporting on the financial, management and operational systems of APA and the responsible entity to the board. The compliance plan is reviewed on an on-going basis by an external compliance manager and is audited annually in accordance with the Corporations Act 2001. In addition, the board has delegated authority to the Audit and Risk Management Committee to investigate ways to improve existing risk management practices.

External Auditor

The board is required to appoint an external auditor for APA for the purposes of auditing the reports required under the constitution and the Corporations Act 2001.

The Audit and Risk Management Committee monitors the adequacy of the external audit arrangements to ensure that they comply with the requirements of the constitution and the Corporations Act 2001.

APA has a policy which prohibits, unless previously authorised by the chairman of the Audit and Risk Management Committee, the engagement of its external auditor to perform non-audit related services on which it may be requested to offer an opinion at a later date.

Continuous Disclosure

A continuous disclosure regime operates within APA and throughout the consolidated entity. The company secretary is the nominated continuous disclosure officer and reports to the board on matters notified to the ASX. In the event a decision is made not to notify ASX of a particular event or development, the reason for non-notification is advised to the board. Directors receive copies of all announcements immediately after notification to ASX.

A quarterly report is required to be made to the board identifying all matters which required ASX notifications, or which were considered not to require disclosure, during the previous quarter.

Unitholder Communication

Unitholder Reporting

The responsible entity aims to ensure that unitholders are fully informed of all major developments affecting APA's state of affairs. Information is communicated to unitholders through annual reports, unitholder newsletters, unitholder information meetings, ASX releases in compliance with continuous disclosure policies, and maintenance of a website. All information disclosed to ASX is posted to the website. Material used in analysts' briefings on aspects of the consolidated entity's operations is released to ASX and posted on APA's website.

Unitholder Meetings

Because APA is a registered Managed Investment Scheme under the Managed Investments Act 1998 rather than a listed public company, it is not obliged to hold an annual general meeting unless required to do so by the constitution, or as required by unitholders under Part 2G.4 Division 1 of the Corporations Act 2001. The constitution does not require an annual unitholder information meeting to be held, but allows the responsible entity to convene a meeting at any time.

APA does not have a board of directors, rather the responsible entity has the power to call meetings of the unitholders and must act at all times in the interests of the unitholders. Appointment and removal of the directors is a matter for the shareholders of the responsible entity rather than unitholders of APA.

APA will hold a unitholder meeting to discuss its annual results and general strategy on Tuesday 21 October 2003 at the Avillion Hotel Sydney, at 11.30am.

The responsible entity encourages full participation of unitholders at the unitholder meeting to enable a high level of understanding and identification with APA's strategies and goals.

Unit Dealings by Directors or Staff

Persons are not required to hold units in APA in order to be eligible to act as a director.

A formal policy on unit dealings is in place so that directors and staff may buy or sell APA units only during the four week period following the release of the half year results and the full year results unless exceptional circumstances apply. In any case, directors and staff are precluded from buying or selling units at any time if they are aware of any price-sensitive information which has not

been made public. The policy reinforces the prohibition on insider trading contained in the Corporations Act 2001. The current unitholdings of directors are shown in the Directors' Report on page 20 and in Note 38 to the financial statements.

Corporate Reporting

The managing director has certified to the board that the consolidated entity's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the consolidated entity. The above certification is based on signed representations by senior officers including the chief financial officer, and founded on a sound internal control and risk management system which implements the policies adopted by the board.

Corporate Practice

APA maintains the highest standards of corporate practice and conduct. Each director of the responsible entity and all executives, managers and employees of the consolidated entity must satisfy those standards. As part of the on-going corporate governance review, a formalised code of conduct applying to the responsible entity, its directors, and executives and officers of APA, is being prepared.



Mr G H Bennett



Mr L J Fisk



Mr J A Fletcher



Mr T C Ford

The directors of Australian Pipeline Limited ("responsible entity") submit herewith the annual financial report of Australian Pipeline Trust ("APA" or "Trust") and its controlled entities (together "consolidated entity") for the financial year ended 30 June 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

The names and particulars of the directors of the responsible entity during or since the end of the financial year are:

Mr G H Bennett FCA

Independent Chairman

Appointed 11 February 2000

Mr George Bennett is a director with almost 40 years experience at accounting services firm KPMG. Mr Bennett retired as National Executive Chairman of KPMG and Chairman of the KPMG Asia Pacific Board in 1993. His other directorships include Tempo Services Limited, Bank of Tokyo-Mitsubishi (Australia) Limited, Brazin Limited, Fantastic Holdings Limited, Macquarie Leisure Management Limited, Macquarie Office Management Limited and was a director of Omni Leisure Operations Limited (resigned on 22 July 2003).

Mr Bennett is the Chairman of the Remuneration Committee and Nominations Committee.

Mr L J Fisk FCICS FCPA FAICD

Non-Executive Director

Appointed 11 February 2000

Mr Les Fisk is Group Manager Corporate Services and Company Secretary with The Australian Gas Light Company ("AGL"). He was appointed to this position in 1997 having joined AGL as Company Secretary in 1995. Prior to joining AGL, Mr Fisk had a 25 year career with Qantas Airways Limited, culminating in the position of Director of Corporate Services and Company Secretary.

Mr Fisk is a director of Elgas Limited. Mr Fisk is a Fellow of Chartered Institute of Company Secretaries, a Fellow of CPA Australia and a Fellow of Australian Institute of Company Directors.

Mr Fisk is a member of the Remuneration Committee and the Nominations Committee.

Mr J A Fletcher BSc MBA

Non-Executive Director

Appointed 11 February 2000

Mr John Fletcher is Group Manager Investments with AGL. He has held this position since March 2003, prior to which he held a number of senior positions including Chief Financial Officer, Group Controller and Treasurer. Mr Fletcher joined AGL in 1979 having previously worked in South Africa and England in various capacities.

Mr Fletcher was a director of Elgas Limited and Natural Gas Corporation Holdings Limited.

Mr Fletcher is a member of the Audit and Risk Management Committee.

Mr T C Ford FAICD

Independent Non-Executive Director

Appointed 11 February 2000

Mr Tom Ford is an investment banker and consultant, with over 30 years experience in stockbroking and banking. Mr Ford is Chairman of RESIMAC Limited. He is also a director of Amalgamated Holdings Limited and Resolute Mining Limited.

Mr Ford is a Fellow of Australian Institute of Company Directors, a member of Finance and Treasury Association Limited and on the committee of Australian Business Economists. Mr Ford retired in 1991 as a Senior Executive Director of Capel Court Corporation Limited and as an Executive Director of Capel Court Securities Limited.

Mr Ford is a member of the Audit and Risk Management Committee.



Mr M M Muhammad

Mr M M Muhammad MSc

Independent Non-Executive Director

Appointed 8 March 2000

Mr Muri Muhammad retired from Petronas in August 2002 and is currently serving as Adviser-Gas Business in the President's Office (Petronas). He brings to the responsible entity, 30 years experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, co-generation and conversion businesses where he has held various senior executive positions.

He was appointed Vice President for Gas Business in 1998 until his retirement in August 2002.

As Vice President Gas Business, he was involved in Petronas' gas development projects in Iran, India, Algeria, Myanmar, Pakistan, Vietnam and China. He has held several directorships including Chairman of the board of Petronas' subsidiaries and associate companies in Malaysia and abroad.

He has been involved in district cooling cogeneration; pipeline gas transmission and distribution; liquefied natural gas production and marketing; and urea/ammonia production and marketing. He currently sits on the board of Transportadora de Gas Del Norte (Argentina) and is Chairman of Trans-Thai Malaysia (Thailand).

Mr Muhammad is a member of the Remuneration Committee and the Nominations Committee.

Mr R J Wright B Comm FCPA

Independent Non-Executive Director

Appointed 11 February 2000

Mr Robert Wright has 30 years financial management experience. He has held a number of Chief Financial Officer positions including Finance Director of David Jones Limited from 1990 to 1999. Between 1991 and 1995, he was also an Executive Director of The Adelaide Steamship Company Limited, and was a director of Tooth & Co Limited, Industrial Equity Limited, Woolworths Limited and National Consolidated Limited. Mr Wright sits on the board of Harris Scarfe Australia Pty Limited.

Mr Wright is the Chairman of the Audit and Risk Management Committee.



Mr R J Wright



Mr Ng Chong Wah

Mr Ng Chong Wah BE

Alternate Non-Executive Director

(Alternate for Mr M M Muhammad) Appointed 8 August 2000

Mr Ng Chong Wah graduated in Chemical Engineering from the University of Malaya, Malaysia. Mr Ng Chong Wah retired from Petronas in June 2003 after being employed in many senior positions over almost 30 years.

Mr J K McDonald FAICD

Managing Director – Executive Director

Appointed 3 June 2002

Mr James McDonald carries overall responsibility for the management team. Mr McDonald has extensive experience in general management in the gas transmission industry in Australia. He joined APA from AGL, where he was Divisional General Manager Pipeline Operations in Australia. Mr McDonald's previous roles within AGL included General Manager East Australian Pipeline Limited, and General Manager NT Gas Pty Limited. Prior to his role with AGL, Mr McDonald spent 15 years with Esso Australia's Gippsland Production Group, including several years in senior management positions.

Mr McDonald is a Fellow of Australian Institute of Company Directors. He was President and is a member of the Pipeline Owners Committee of Australian Pipeline Industry Association ("APIA"), having served as past chairman of the Environment Affairs Committee of APIA. He was also a member of the board of Australian Gas Association ("AGA") and Australian Council for Infrastructure Development. He was past chairman of the Gas Transmission Committee of AGA.



Mr J K McDonald

Principal Activities

The principal activity of APA during the course of the financial year was the ownership of gas transmission pipelines located throughout Australia. The consolidated entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission pipelines.

There has been no significant change in the activities of the consolidated entity during the financial year.

Review of Operations

Distribution to Unitholders

The directors declared a final unfranked income distribution of 6.5 cents per unit ("cpu") for the financial year ended 30 June 2003 on 3 September 2003. This takes the total distribution for the financial year to 21.5 cpu, which is consistent with last financial year. The income component of the distributions has increased from 15.5 cpu in the previous corresponding period ("pcp") to 17 cpu, an increase of 9.68%, which reflects the higher earnings during the financial year. As previously indicated, APA is not expected to generate significant franking credits until after 2004 financial year.

Financial Performance

APA has produced another satisfactory full year result with net profit after tax and minorities of \$41.046 million, an increase of \$3.945 million, 10.63%, on the pcp. Total revenue of \$271.912 million was \$16.500 million, 6.46%, above the pcp. Pipeline revenue which excludes Other pipeline revenue, which is in the nature of passthrough revenue, was \$189.210 million, up \$8.789 million, 4.87%, on the pcp.

The full year result reflects additional revenue from haulage contracts on existing pipelines, expansion programs and acquisitions undertaken by APA.

Highlights

A summary of the major achievements during the financial year is set out below:

- construction of looping stage 6 on Roma to Brisbane Pipeline ("RBP") in Queensland to satisfy growing customer demand. The looping was commissioned in October 2002;
- negotiated innovative interruptible and firm haulage contracts with existing customers on the RBP to increase utilisation of the pipeline;
- installation of a compressor on the Carpentaria Gas Pipeline ("CGP") in Queensland to increase throughput capacity on the pipeline. The compressor was commissioned in December 2002;
- acquisition of TransAlta Energy Corporation's interest in Goldfields Gas Transmission ("GGT") pipeline in Western Australia was completed in April 2003. This acquisition takes APA's effective ownership in GGT from 39.7% to 48.5%; and
- agreement reached with AGL Wholesale Gas Limited to transport gas in the Moomba to Sydney Pipeline ("MSP") post 2006, in addition to quantities previously agreed under the Gas Transportation Deed ("GTD").

The following table provides a summary of key financial data, as applicable to the current financial year:

	Year Ended 30 Jun 03 \$m	Year Ended 30 Jun 02 \$m	Change Compared to 2002 \$m %	
Pipeline revenue	189.210	180.421	8.789	4.87
Other pipeline revenue	67.990	61.053	6.937	11.36
Other revenue	14.712	13.938	0.774	5.55
Total revenue	271.912	255.412	16.500	6.46
EBITDA	137.807	132.227	5.580	4.22
EBIT	113.724	105.889	7.835	7.40
Pre-tax profit	65.128	59.097	6.031	10.21
Income tax expense	(23.804)	(21.723)	(2.081)	9.58
Operating profit after tax and minorities	41.046	37.101	3.945	10.63
Earnings per unit	16.82c	15.21c	1.61c	10.63

Revenue

The increase in Pipeline revenue was a result of:

- increased revenue on the RBP during the year, largely reflecting the first full year impact of the looping stage 5 expansion;
- higher revenue on the CGP due to increased throughput to customers;
- the equity profits from GGT investment was \$13.546 million, an increase of \$2.608 million, 23.84%, over pcg on account of increased underlying profits and increased level of ownership of the pipeline; and
- increase in transportation revenue from the railway sleeper factories in the Northern Territory.

During the financial year, APA received an amount of \$1.886 million as settlement for the termination of contract on the Westline lateral in Western Australia. The settlement with AGL Gas Trading Pty Limited, the customer on the lateral, was reached so as to take account of all costs associated with its closure, including the write-down of \$1.480 million on asset value. The transaction had no impact on the consolidated entity's reported profit. Excluding the revenue from the settlement, Pipeline revenue increased to \$187.324 million, up by \$6.903 million, or 3.83% from the pcg.

The above increases in revenue were offset by the effect of predicted loss of revenue on the MSP, due to the impact of the Eastern Gas Pipeline (the competing pipeline in the Sydney and Canberra markets), and the temporary closure of the vanadium mine at Windamurra on the Mid West Pipeline. Prior to the closure, the mine was the largest customer on the pipeline. APA is confident that the rich mineralisation of the area will produce additional load from future mining developments. Accordingly, no adjustment to the asset value of the Mid West Pipeline is considered necessary at this stage.

Expenses

Pipeline operation and management expenses of \$42.936 million increased by \$2.440 million or 6.03% over the pcg, due to increases in insurance costs and additional expenses associated with operations and management of capital expansions.

Depreciation and amortisation expenses of \$24.083 million were lower by \$2.255 million or 8.56%, compared to the pcg due to lower throughput on the MSP as a result of a mild winter, and an upward revision in lifetime throughput on the RBP following completion of looping stages 5 and 6.

The net interest and borrowing expense was \$1.804 million higher than the pcg due to general increase in interest rates, higher borrowing to fund capital expansion projects and the expiry of certain hedges which were at favourable rates.

The effective tax rate (ie. tax expense calculated as a percentage of pre-tax profit) of 36.55% is consistent with the pcg. The effective tax rate is higher than corporate tax rate of 30% as a consequence of the non-deductibility of interest on infrastructure bonds and certain depreciation and amortisation charges, for tax purposes.

Borrowings

At 30 June 2003, the principal source of debt funding for APA was the unsecured bank borrowing of \$758 million in term and revolving facilities. In order to limit the volatility to earnings that could be caused by fluctuations to interest rates, APA utilises derivative financial instruments, particularly interest rate swap contracts. As at end of the financial year, 92.81% of the term loan facility was hedged. The gearing ratio was 63.32%, which is consistent with the business profile of APA ie. involvement with long-life infrastructure assets.

Tax

A significant item of liability in APA's balance sheet is Deferred tax liabilities, which represents the potential future tax payments resulting from accelerated tax depreciation compared to accounting depreciation on transmission pipelines. Changes to tax legislation can have a material impact on future investment and cash flows of APA. In view of its significance, APA closely monitors and maintains dialogue with Government in relation to the changes that occur to the tax regime on long-life assets.

As a part of the Business Tax Reform, the Australian Government has introduced consolidated income taxation for corporate groups, such as APA. The reform, referred to as the "Tax Consolidation System", has been enacted through a series of successive legislation. Entry into the consolidation system is optional. APA is assessing the impact of the legislation and will make a decision on joining the tax grouping once the impact study is completed.

Earnings per Unit

Earnings per unit increased by 10.63% to 16.82 cpu, reflecting increased profitability.

Cash Flow

The cash flow from operating activities of \$90.589 million increased by \$5.503 million or 6.47% over the pcy. This is in line with the increase in earnings before interest, tax, depreciation and amortisation.

During the financial year, \$41.037 million was invested in additions to plant and equipment and acquisitions. A further \$52.460 million was paid in distributions to unitholders of APA.

Regulatory

Discussion with and submissions to governments and regulators on regulation of gas transmission pipelines, continued to have a significant impact on APA's resources. Key regulatory matters addressed during the financial year included:

- review of the National Gas Access Code by the Productivity Commission with a final report due for release in June 2004. This review was foreshadowed in the Review of Operations in last financial year's annual report. APA welcomes the opportunity to participate in the review process, which is critical to ensuring that the future regulatory environment is conducive to investment in gas transmission pipelines;
- submission on revocation of coverage over the MSP system following the Australian Competition Tribunal's decision to revoke regulatory coverage over the competing Eastern Gas Pipeline. In December 2002, the National Competition Council made a final recommendation to the Minister for Industry, Tourism and Resources, the Honourable Ian Macfarlane, that the MSP should remain covered. At the time of writing, the Minister was still considering the recommendation, with a decision expected in the near future;
- recommendation by the National Competition Council to the Honourable Ian Campbell, Parliamentary Secretary to the Treasurer, that the Queensland Gas Access Regime is "not effective". If the recommendation is upheld, it may override the existing contractual arrangements on the RBP and CGP. Both the Queensland Government and APA will be vigorously opposing the recommendation; and
- litigation concerning the Western Australian Office of Gas Access Regulation ("OffGAR"), which did not take account of the existence of certain conditions in the State Agreement between the Western Australian Government and GGT in its regulatory review of the GGT. The State Agreement was designed to protect the interest of the GGT owners. Litigation has been suspended while the GGT owners await a further draft determination by OffGAR.

Investment

Although the operating outcome achieved during the current financial year was satisfactory, APA is conscious of the challenges that lie ahead and will actively seek opportunities to enhance unitholder value.

APA intends to pursue major acquisitions over the coming financial year which are likely to arise from industry rationalisation. These acquisitions are intended to improve profitability and allow for long-term financial growth.

Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

All pipeline assets owned by APA are designed, constructed, tested, operated and maintained in accordance with pipeline licences issued by the relevant State and Territory technical regulators. All licences require compliance with relevant Commonwealth, State and Territory environmental legislation and Australian standards.

The licences also require compliance with the Australian Standard AS2885, Pipelines-Gas and Liquid Petroleum, which has specific requirements for the management of environmental matters associated with all aspects of the high pressure pipeline industry.

Environmental plans satisfying Part A of the Australian Pipeline Industry Association Code of Environmental Practice ("code") are prepared and independently audited for construction activities. In accordance with Part 3 of AS2885, environmental plans satisfying Part B of the code are in place for all operating pipelines and are managed in accordance with APA's contracts and the terms and conditions of the licences that APA has been issued. On-going monitoring of these requirements is achieved through an environmental audit process carried out by an accredited independent auditor.

The board reviews external audit reports and, on a monthly basis, the internal reports prepared relating to environmental issues. No breaches have been reported during the financial year and APA has complied fully with the environmental management plans that are in place.

Distributions

During the financial year, the following distributions were made to the unitholders:

Relevant Period	Date Paid	Income Distribution ^a		Capital Distribution	
		per Unit (cents)	\$'000	per Unit (cents)	\$'000
Final distribution for financial year ended 30 June 2002	30 September 2002	6.5	15,860	–	–
1 July 2002 to 30 September 2002	20 December 2002	3.0	7,320	2.0	4,880
1 October 2002 to 31 December 2002	31 March 2003	3.0	7,320	2.0	4,880
1 January 2003 to 31 March 2003	26 June 2003	4.5	10,980	0.5	1,220

^a The income component of all the above distributions was unfranked.

The final distribution for the financial year ended 30 June 2003, will be 6.5 cpu, comprised entirely of unfranked income distribution. This equates to a total cash distribution of \$15.860 million and will be paid on 25 September 2003.

Options Granted

No options were granted during or since the end of the financial year:

- (a) over unissued units in APA; and
- (b) to the responsible entity.

No unissued units in APA were under option as at the date on which this report was made.

No units were issued in APA during or since the end of the financial year as a result of the exercise of an option over unissued units in APA.

Indemnification of Officers and External Auditor

During the financial year, the responsible entity paid a premium in respect of a contract insuring the directors of the responsible entity, the responsible entity's secretary, Mr A J V James, and all executive officers of the responsible entity and of any related body corporate of APA against any liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The responsible entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or external auditor of the responsible entity or of any related body corporate of APA against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of the directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, 12 board meetings (excluding 2 sub-committee meetings), 5 Remuneration Committee meetings, 5 Audit and Risk Management Committee meetings and 1 meeting of Nominations Committee were held:

Directors	Board of Directors		Remuneration Committee		Audit and Risk Management Committee		Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G H Bennett	14 ^a	13	5	5	–	–	1	1
L J Fisk	12	10	5	5	–	–	1	1
J A Fletcher	12	10	–	–	5	4	–	–
T C Ford	12	11	–	–	5	4	–	–
M Muhammad	12	10	5	5	–	–	1	1
R J Wright	14 ^a	14	–	–	5	5	–	–
Ng Chong Wah (alternate for M Muhammad)	12	1	–	–	–	–	–	–
J K McDonald	14 ^a	13	–	–	–	–	–	–

^a includes 2 sub-committee meetings to approve the financial reports which had been reviewed by the board.

Directors' Unitholdings

The following table sets out each director's relevant interest in units of APA or a related body corporate as at the date of this report:

Directors	Fully Paid Units as at 30 June 2002	Units Acquired during the Financial Year	Units Disposed of during the Financial Year	Fully Paid Units as at 30 June 2003
G H Bennett	15,000	–	–	15,000
L J Fisk	5,000	–	–	5,000
J A Fletcher	4,000	–	–	4,000
T C Ford	10,000	–	–	10,000
M Muhammad	10,000	–	–	10,000
R J Wright	10,000	–	–	10,000
Ng Chong Wah	2,000	–	–	2,000
J K McDonald	15,000	–	–	15,000

There are no contracts to which a director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the management investment scheme.

Directors' and Executives' Remuneration

The Remuneration Committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of APA's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

- (a) salary/fees;
- (b) benefits – including the provision of motor vehicle and superannuation benefits; and
- (c) incentive schemes – including performance related bonuses.

The following table discloses the remuneration of the directors of the responsible entity:

Name	Salary/Fees	Benefits	Incentive Schemes	Total
Non-Executive Directors				
G H Bennett	\$90,000	\$8,100	–	\$98,100
L J Fisk	\$45,000	–	–	\$45,000
J A Fletcher	\$45,000	–	–	\$45,000
T C Ford	\$45,000	\$4,050	–	\$49,050
M Muhammad	\$45,000	–	–	\$45,000
R J Wright	\$50,000	\$4,500	–	\$54,500
Ng Chong Wah	–	–	–	–
Executive Director				
J K McDonald	\$361,447	\$139,853	\$166,950	\$668,250

During the financial year (2003), the Remuneration Committee terminated the retirement benefit program that was instituted for non-executive, non-corporate appointee directors in 2002. The benefits that have already crystallised under the program will now be payable on retirement of the directors.

The Remuneration Committee increased the fees of all the directors by 12.5% over the previous year effective from 1 July 2002. This is the first increase in directors' fees since the inception of APA in June 2000. Mr Wright's fee was increased by an additional \$5,000 in recognition of his responsibilities as chairman of the Audit and Risk Management Committee.

The following table discloses the remuneration of the 5 highest remunerated executives of the consolidated entity:

Name	Salary/Fees	Benefits	Incentive Schemes	Total
Consolidated Entity				
G N Williams	\$199,547	\$62,837	\$86,550	\$348,934
M J McCormack	\$190,756	\$64,174	\$75,700	\$330,630
A J V James	\$203,817	\$40,182	\$78,650	\$322,649
K F Dixon	\$208,631	\$11,969	\$71,000	\$291,600
I H Haddow ^a	\$150,183	\$13,027	\$16,953	\$180,163

^a former General Manager, Technical who retired on 31 December 2002.

Scheme Information in the Financial Report

Fees paid to the responsible entity and its associates (including directors and secretaries of the responsible entity, related bodies corporate and directors and secretaries of related bodies corporate) out of APA property during the financial year are disclosed in this Directors' Report and Note 38 to the financial statements.

The responsible entity does not hold any units in APA. AGL, a 50% shareholder in the responsible entity, holds 30% of the units in APA. The number of units in APA issued during the financial year, withdrawals from APA during the financial year, and the number of units in APA at the end of the financial year are disclosed in Note 26 to the financial statements.

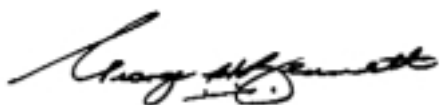
The value of APA's assets as at the end of the financial year is disclosed in the statement of financial position in total assets, and the basis of valuation is included in Note 1 to the financial statements.

Rounding of Amounts

APA is an entity of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors of the responsible entity made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



G H Bennett
Chairman



R J Wright
Director

SYDNEY, 3 September 2003

	Note	Consolidated		Trust	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from ordinary activities		258,366	244,474	64,064	38,827
Share of net profits of joint venture entities accounted for using the equity method		13,546	10,938	–	–
Pipeline operation and management expenses		(42,936)	(40,496)	–	–
Depreciation and amortisation expense		(24,083)	(26,338)	–	–
Other pipeline costs		(67,990)	(61,053)	–	–
Borrowing costs		(62,271)	(59,741)	(26)	(40)
Other expenses from ordinary activities		(9,504)	(8,687)	(1,168)	(967)
Profit from Ordinary Activities before					
Income Tax Expense	2	65,128	59,097	62,870	37,820
Income tax expense relating to ordinary activities	4	(23,804)	(21,723)	–	–
Profit from Ordinary Activities after					
Income Tax Expense		41,324	37,374	62,870	37,820
Net profit attributable to outside equity interests		(278)	(273)	–	–
Net Profit Attributable to					
Unitholders of the Parent Entity		41,046	37,101	62,870	37,820
Total Changes in Equity other than those Resulting from Transactions with Unitholders as Owners		41,046	37,101	62,870	37,820
Earnings per Unit (cents per unit)					
Earnings used to calculate earnings per unit		41,046	37,101		
Basic earnings per unit based on profit from ordinary activities after income tax expense attributable to unitholders of the parent entity (cents)		16.82	15.21		
Weighted average number of units (million) on issue used in the calculation of basic earnings per unit		244	244		

Diluted earnings per unit is exactly the same as basic earnings per unit.

Notes to the financial statements are included on pages 25 to 51.

statement of financial position

as at 30 June 2003

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	Note	Consolidated		Trust	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current Assets					
Cash		16,316	15,691	104	95
Receivables	6	19,564	17,810	87	86
Inventories	7	75	66	–	–
Other	8	1,185	1,005	–	–
Total Current Assets		37,140	34,572	191	181
Non-Current Assets					
Receivables	9	34	253	–	–
Investments accounted for using the equity method	10	155,808	130,240	–	–
Other financial assets	11	–	–	487,641	475,963
Property, plant and equipment	12	1,222,117	1,232,010	–	–
Intangibles	13	7,352	8,516	–	–
Deferred tax assets	14	6,530	7,176	1	1
Other	15	2,841	4,102	–	–
Total Non-Current Assets		1,394,682	1,382,297	487,642	475,964
Total Assets		1,431,822	1,416,869	487,833	476,145
Current Liabilities					
Payables	16	51,255	49,853	18,117	17,925
Interest-bearing liabilities	17	218	209	–	–
Current tax liabilities		–	1	–	1
Provisions	18	961	17,266	–	15,860
Other	19	7,076	7,316	–	–
Total Current Liabilities		59,510	74,645	18,117	33,786
Non-Current Liabilities					
Payables	20	–	–	5,502	4,415
Interest-bearing liabilities	21	760,097	756,025	–	–
Deferred tax liabilities	22	167,600	146,853	–	–
Provisions	23	136	131	–	–
Other	24	1,299	468	–	–
Total Non-Current Liabilities		929,132	903,477	5,502	4,415
Total Liabilities		988,642	978,122	23,619	38,201
Net Assets		443,180	438,747	464,214	437,944
Equity					
Contributed equity	26	426,963	437,943	426,963	437,943
Retained profits	27	16,195	769	37,251	1
Parent Entity Interest		443,158	438,712	464,214	437,944
Outside equity interests	28	22	35	–	–
Total Equity		443,180	438,747	464,214	437,944

Notes to the financial statements are included on pages 25 to 51.

		Consolidated		Trust	
		2003	2002	2003	2002
	Note	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities					
Receipts from customers		270,513	267,635	1,173	988
Payments to suppliers and employees		(142,872)	(148,211)	(977)	(943)
Dividends received		12,301	10,450	62,870	37,820
Interest received		7,416	6,960	21	20
Interest and other costs of finance paid		(54,477)	(51,747)	(26)	(40)
Income tax paid		(2,292)	(1)	(1)	–
Net Cash Provided by Operating Activities	39 (d)	90,589	85,086	63,060	37,845
Cash Flows from Investing Activities					
Payment for investments in joint venture entities		(24,322)	–	–	–
Payment for property, plant and equipment		(16,715)	(48,783)	–	–
Proceeds from sale of property, plant and equipment		177	102	–	–
Purchase of controlled entities, net of cash acquired	39 (c)	–	(2,109)	–	(2,109)
Net Cash Used in Investing Activities		(40,860)	(50,790)	–	(2,109)
Cash Flows from Financing Activities					
Proceeds from borrowings		221,000	190,500	–	–
Repayment of borrowings		(217,235)	(169,717)	–	–
Proceeds from repayment of related party receivables		–	–	–	15,496
Amounts advanced to related parties		–	–	(10,591)	–
Distributions and dividends paid		(52,869)	(51,625)	(52,460)	(51,240)
Net Cash Used in Financing Activities		(49,104)	(30,842)	(63,051)	(35,744)
Net Increase/(Decrease) in Cash Held		625	3,454	9	(8)
Cash at the beginning of the financial year		15,691	12,237	95	103
Cash at the End of the Financial Year	39 (a)	16,316	15,691	104	95

Notes to the financial statements are included on pages 25 to 51.

1. Summary of Accounting Policies

Financial Reporting Framework

This financial report is a general purpose financial report which has been prepared in accordance with the constitution, the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

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 following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Australian Pipeline Trust (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts".

A list of controlled entities appears in Note 34. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which APA obtains control and until such time as APA ceases to control such entity.

In preparing the consolidated financial statements, all inter-entity balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Payables

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(c) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present values as at the date of acquisition.

(d) Interest-Bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of interest-bearing liabilities are deferred and amortised over the period of the interest-bearing liability.

(e) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets.

1. Summary of Accounting Policies (continued)**(f) Depreciation**

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on either a straight line or throughput basis depending on the nature of the asset so as to write off the net cost of each asset over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- buildings 50 years;
- compressors up to 25 years;
- pipelines up to 65 years; and
- other plant and equipment 3 – 20 years.

(g) Intangibles

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

The right to receive a pipeline tariff is being amortised on a straight line basis until 2011, being the termination date of the contract to which the right relates.

(h) Derivative Financial Instruments

The consolidated entity enters into derivative financial instruments including interest rate swap contracts to manage its exposure to interest rate risk. Gains and losses on interest rate swap contracts are included in the determination of interest expense. Further details are disclosed in Note 42.

(i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee benefits (long service leave) expected to be settled within 12 months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Provisions made in respect of other employee benefits (long service leave) which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the end of the financial year.

(j) Financial Instruments Issued by APA**Transaction Costs on the Issue of Equity Instruments**

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Distributions

Interest and distributions are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

1. Summary of Accounting Policies (continued)

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, except for accrued revenue and accrued expense at balance date which excludes GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

GST receivable or GST payable is only recognised once a tax invoice has been issued or received.

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

(l) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax profit after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in deferred tax liabilities and deferred tax assets, as applicable.

(m) Inventories

Inventories are valued at the lower of cost and 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 inventories, with the majority being valued on a first in first out basis.

(n) Investments

Investments in controlled entities are recorded at cost. Investments in joint venture entities have been accounted for under the equity method in the consolidated financial statements. Other investments are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(o) Joint Ventures

Joint Venture Operations

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

Joint Venture Entities

Interests in joint venture entities, which are not partnerships, are accounted for under the equity method in the consolidated financial statements and the cost method in APA's financial statements.

1. Summary of Accounting Policies (continued)**(p) Leased Assets**

Leased assets classified as finance leases are capitalised. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

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

Finance lease payments are allocated between interest expense and reduction of the lease liability over the term of the lease.

The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are charged as an expense in the period in which they are incurred.

(q) 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.

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 probable that recovery will be received and the amount of the receivable can be measured reliably.

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

(r) Distributions

A provision is recognised for distributions only when they have been declared, determined or publicly recommended by the directors.

(s) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(t) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds its recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value, using discount rates in the range of 7.5% to 9.0% per annum (2002: 7.5% to 9.0% per annum) depending on the risk profile of the particular assets, except for intangibles, deferred tax assets and other assets where undiscounted cash flows have been used.

(u) Revenue Recognition**Disposal of Assets**

Revenue from the disposal of assets is recognised when the consolidated entity has passed control of the assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

1. Summary of Accounting Policies (continued)

(v) Changes in Accounting Policies

In accordance with Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", on 1 July 2002 the consolidated entity changed its policy for providing for distributions. Under the new policy, a provision for distribution is recognised only when the directors have declared, determined or publicly recommended the distribution. The effect of this change in accounting policy is to adjust upwards opening retained profits for the consolidated entity and APA by the amount of the distribution provision as at 30 June 2002 (\$15.860 million).

2. Profit from Ordinary Activities

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before income tax expense includes the following items of revenue and expense:				
(a) Operating Revenue				
Sales revenue:				
Pipeline transportation revenue	175,664	169,483	–	–
Other pipeline revenue – passthrough	67,990	61,053	–	–
	243,654	230,536	–	–
Interest revenue:				
Other entities	13,675	12,949	21	19
Dividends – wholly-owned controlled entities	–	–	62,870	37,820
Share of net profits from joint venture entities accounted for using the equity method (Note 41)	13,546	10,938	–	–
Other	860	884	1,173	988
	271,735	255,307	64,064	38,827
(b) Non-Operating Revenue				
Proceeds from disposal of property, plant and equipment	177	105	–	–
	271,912	255,412	64,064	38,827
(c) Expenses				
Borrowing costs:				
Interest:				
Other entities	60,666	59,181	26	40
Amortisation of deferred borrowing costs	1,390	1,390	–	–
Finance lease charges	49	40	–	–
Other borrowing costs	375	393	–	–
	62,480	61,004	26	40
Less: amounts capitalised as part of the carrying value of pipeline assets ^a	(209)	(1,263)	–	–
	62,271	59,741	26	40

^a Capitalisation rate applicable to funds borrowed generally – 7.99% per annum (2002: 7.85% per annum).

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
2. Profit from Ordinary Activities (continued)				
(c) Expenses (continued)				
Net bad and doubtful debts/(recoveries) arising from other entities	(495)	567	–	–
Recoverable amount write-downs:				
Property, plant and equipment	1,480	203	–	–
Inventory:				
Write-downs and other losses	–	119	–	–
Depreciation of non-current assets:				
Property, plant and equipment	22,716	24,824	–	–
Amortisation of non-current assets:				
Deferred expenditure	–	155	–	–
Goodwill	464	464	–	–
Leased assets	203	195	–	–
Right to receive pipeline tariff	700	700	–	–
	24,083	26,338	–	–
Other pipeline costs – passthrough:				
Operating lease rental expense	14,892	15,735	–	–
Gas pipeline costs	53,098	45,318	–	–
	67,990	61,053	–	–
Net transfers to provisions:				
Employee benefits	54	180	–	–

(d) Revision of Accounting Estimates

During the financial year, the directors reassessed the lifetime throughput of one of the pipeline assets following major capital expenditure. The financial effect of this reassessment in the current financial year was to decrease the depreciation expense of the consolidated entity by \$2.835 million. This reduction in depreciation expense will be expensed in future periods, over the useful life of the pipeline asset.

3. Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following profits and losses:

Net Profits

Property, plant and equipment	63	82	–	–
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Net Losses

Property, plant and equipment	–	–	–	–
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Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

4. Income Tax

- (a) 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 Ordinary Activities	65,128	59,097	62,870	37,820
Income tax expense calculated at 30%	19,538	17,729	18,861	11,346
Permanent Differences:				
Non-allowable depreciation	2,036	2,179	–	–
Non-allowable interest expense	2,081	1,885	–	–
Amortisation of intangible assets	349	349	–	–
Equity share of joint venture entities' net profit (less unfranked dividends received)	(373)	(146)	–	–
Rebateable dividends	–	–	(18,861)	(11,346)
Other	173	(273)	–	–
Income Tax Expense Attributable to Operating Profit	23,804	21,723	–	–
(b) Future income tax benefits not brought to account as assets:				
Tax losses – revenue	894	684	–	–
Tax losses – capital	90,341	90,341	–	–
	91,213	91,025	–	–

The taxation benefit of tax losses not brought to account will only be obtained if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the loss.

The tax liability pursuant to the current financial year income tax expense is included in the deferred tax liabilities in Note 22, as a result of accelerated tax depreciation on the consolidated entity's pipeline assets.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes mandatory and elective elements, is applicable to APA.

At the date of this financial report, the directors have not fully assessed the financial effect, if any, the legislation may have on APA and the consolidated entity and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. Accordingly, the financial effect of the implementation of the elective elements of the tax consolidation system on the consolidated entity has not been recognised in the financial statements.

5. Distributions

	Consolidated and Trust			
	2003		2002	
	Cents per Unit	Total \$'000	Cents per Unit	Total \$'000
Recognised Amounts:				
First interim distribution paid on 20 December 2002				
(2002: 21 December 2001)				
Income distribution ^a	3.0	7,320	3.0	7,320
Capital distribution	2.0	4,880	2.0	4,880
Second interim distribution paid on 31 March 2003				
(2002: 28 March 2002)				
Income distribution ^a	3.0	7,320	3.0	7,320
Capital distribution	2.0	4,880	2.0	4,880
Third interim distribution paid on 26 June 2003				
(2002: 26 June 2002)				
Income distribution ^a	4.5	10,980	3.0	7,320
Capital distribution	0.5	1,220	2.0	4,880
Final distribution				
(2002: 30 September 2002)				
Income distribution ^a	–	–	6.5	15,860
Capital distribution	–	–	–	–
	15.0	36,600	21.5	52,460
Unrecognised Amounts:				
Final distribution payable on 25 September 2003				
Income distribution ^a	6.5	15,860	–	–
Capital distribution	–	–	–	–
	6.5	15,860	–	–

^a Income distributions for 2002 and 2003 were unfranked.

The final distribution in respect of the year ended 30 June 2003 has not been recognised in this financial report because the final distribution was declared, determined or publicly recommended subsequent to 30 June 2003. On the basis that the directors will continue to publicly recommend distributions in respect of units subsequent to reporting date, in future financial reports the amount disclosed as "recognised" will be the final distribution in respect of the prior financial year, and the interim distributions in respect of the current financial year.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000 ^b	\$'000	\$'000 ^b
Adjusted franking account balance (tax paid basis)	2,654	362	1	1

^b Due to changes in Australian income tax legislation, from 1 July 2002 franking accounts are maintained on a "tax paid" rather than an "after-tax distributable profits" basis.

The comparative franking account balance as at 30 June 2002 has been restated on the "tax paid basis" so as to be comparable with the disclosure as at 30 June 2003.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

6. Current Receivables

Trade receivables	19,760	18,532	–	–
Less: allowance for doubtful debts	(210)	(753)	–	–
	19,550	17,779	–	–
Goods and services tax recoverable	–	–	87	86
Other receivables	14	31	–	–
	19,564	17,810	87	86

7. Current Inventories

Finished goods – at cost	75	66	–	–
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8. Other Current Assets

Prepayments	1,185	1,005	–	–
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9. Non-Current Receivables

Other receivables	34	253	–	–
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10. Investments Accounted for Using the Equity Method

Joint venture entities – not quoted on stock exchange (Note 41)	155,808	130,240	–	–
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11. Other Non-Current Financial Assets

Shares in controlled entities – at cost	–	–	371,551	371,551
Non-trade receivables from:				
Wholly-owned controlled entities	–	–	116,090	104,412
	–	–	487,641	475,963

12. Property, Plant and Equipment

Consolidated (\$'000)						
	Freehold Land and Buildings at Cost	Leasehold Improvements at Cost	Pipeline Assets at Cost	Plant and Equipment at Cost	Work in Progress at Cost	Total
Gross Carrying Amount						
Balance at 30 June 2002	5,856	431	1,261,746	5,826	6,664	1,280,523
Additions	298	–	12,775	698	849	14,620
Disposals	–	–	(59)	(232)	–	(291)
Recoverable amount write-downs	–	–	(1,666)	–	–	(1,666)
Transfers	–	–	5,995	582	(6,577)	–
Balance at 30 June 2003	6,154	431	1,278,791	6,874	936	1,293,186
Accumulated Depreciation						
Balance at 30 June 2002	(249)	(294)	(45,766)	(2,204)	–	(48,513)
Depreciation expense	(134)	(136)	(21,656)	(993)	–	(22,919)
Disposals	–	–	–	177	–	177
Recoverable amount write-downs	–	–	186	–	–	186
Transfers	–	–	–	–	–	–
Balance at 30 June 2003	(383)	(430)	(67,236)	(3,020)	–	(71,069)
Net Book Value						
As at 30 June 2002	5,607	137	1,215,980	3,622	6,664	1,232,010
As at 30 June 2003	5,771	1	1,211,555	3,854	936	1,222,117

Trust (\$'000)						
	Freehold Land and Buildings at Cost	Leasehold Improvements at Cost	Pipeline Assets at Cost	Plant and Equipment at Cost	Work in Progress at Cost	Total
Gross Carrying Amount						
Balance at 30 June 2002	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Recoverable amount write-downs	–	–	–	–	–	–
Balance at 30 June 2003	–	–	–	–	–	–
Accumulated Depreciation						
Balance at 30 June 2002	–	–	–	–	–	–
Depreciation expense	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Recoverable amount write-downs	–	–	–	–	–	–
Balance as at 30 June 2003	–	–	–	–	–	–
Net Book Value						
As at 30 June 2002	–	–	–	–	–	–
As at 30 June 2003	–	–	–	–	–	–

The value of freehold land and buildings determined in accordance with independent valuations carried out by licensed valuers, on the basis of market value – in use, performed in 2002 was \$7.933 million.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

13. Intangibles

Goodwill	7,916	7,916	–	–
Less: accumulated amortisation	(6,517)	(6,053)	–	–
	1,399	1,863	–	–
Right to receive pipeline tariff	15,677	15,677	–	–
Less: accumulated amortisation	(9,724)	(9,024)	–	–
	5,953	6,653	–	–
	7,352	8,516	–	–

Aggregate amortisation allocated during the financial year is recognised as an expense in Note 2.

14. Deferred Tax Assets

Future income tax benefit:				
Tax losses – revenue	1,326	1,532	–	–
Timing differences	5,204	5,644	1	1
	6,530	7,176	1	1

15. Other Non-Current Assets

Debt issue costs	8,450	8,450	–	–
Less: accumulated amortisation	(5,738)	(4,348)	–	–
	2,712	4,102	–	–
Other	129	–	–	–
	2,841	4,102	–	–

Aggregate amortisation allocated during the financial year is recognised as an expense in Note 2.

16. Current Payables

Trade payables	25,853	22,015	12	18
Other payables	25,402	27,838	18,105	17,907
	51,255	49,853	18,117	17,925

17. Current Interest-Bearing Liabilities

Finance lease liabilities ^a (Note 32)	218	209	–	–
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^a Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

18. Current Provisions

Unitholder distributions ^a	–	15,860	–	15,860
Employee benefits (Note 25)	751	702	–	–
Other (Note 29)	210	704	–	–
	961	17,266	–	15,860

^a Current provision for unitholder distributions has not been recognised in 2003 as per the requirement of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which came into effect on 1 July 2002 (Note 1 (v)).

19. Other Current Liabilities

Unearned revenue – interest	6,869	6,560	–	–
Unearned revenue – other	207	756	–	–
	7,076	7,316	–	–

20. Non-Current Payables

Non-trade payables to:

Wholly-owned controlled entities	–	–	5,502	4,415
	–	–	5,502	4,415

21. Non-Current Interest-Bearing Liabilities

Unsecured

Syndicated bank borrowings	758,000	754,000	–	–
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Secured

Bank borrowings ^a	1,645	1,645	–	–
Finance lease liabilities ^b (Note 32)	452	380	–	–
	2,097	2,025	–	–
	760,097	756,025	–	–

^a Secured over buildings located in the Northern Territory.

^b Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

22. Deferred Tax Liabilities

Deferred income tax	167,600	146,853	–	–
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Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

23. Non-Current Provisions

Employee benefits (Note 25)	136	131	–	–
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24. Other Non-Current Liabilities

Unearned revenue – other	1,299	468	–	–
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25. Employee Benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Provision for employee benefits

Current (Note 18)	751	702	–	–
Non-current (Note 23)	136	131	–	–
	887	833	–	–

	Consolidated		Trust	
	2003	2002	2003	2002
	No.	No.	No.	No.
Number of employees at the end of the financial year	14	14	–	–

Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

26. Contributed Equity

Contributed Equity

Balance at the beginning of the financial year	437,943	452,583	437,943	452,583
Capital distributions (Note 5)	(10,980)	(14,640)	(10,980)	(14,640)
Balance at the end of the financial year	426,963	437,943	426,963	437,943

Consolidated		Trust	
2003	2002	2003	2002
'000	'000	'000	'000

Fully Paid Units^a

Balance at the beginning of the financial year	244,000	244,000	244,000	244,000
Movements	–	–	–	–
Balance at the end of the financial year	244,000	244,000	244,000	244,000

^a Fully paid units carry one vote per unit and carry the right to distributions.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

27. Retained Profits

Balance at the beginning of the financial year	769	1,488	1	1
Adjustment to opening retained profits on initial adoption of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (Note 1(v)):				
Write-back of prior financial year distribution provision	15,860	–	15,860	–
Net profit attributable to unitholders for the financial year	41,046	37,101	62,870	37,820
Distributions provided for or paid (Note 5)	(41,480)	(37,820)	(41,480)	(37,820)
Balance at the end of the financial year	16,195	769	37,251	1

28. Outside Equity Interests

Outside equity interests in controlled entities comprise:

Issued capital	4	4	–	–
Retained profits	17	30	–	–
Reserves	1	1	–	–
	22	35	–	–

29. Provisions

	Consolidated (\$'000)		
	Force Majeure		
	Distribution ^a	Claims ^b	Other
Balance at 30 June 2002	15,860	404	300
Adjustment to retained profits on initial application of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (Note 1 (v))	(15,860)	–	–
Additional provisions recognised	–	–	249
Reductions arising from payments/other sacrifices of future economic benefits	–	(250)	(339)
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the consolidated entity	–	(154)	–
Balance at 30 June 2003	–	–	210
Current (Note 18)	–	–	210
Non-current (Note 23)	–	–	–
	–	–	210

29. Provisions (continued)

	Trust (\$'000)		
	Distribution ^a	Force Majeure Claims ^b	Other
Balance at 30 June 2002	15,860	–	–
Adjustments to retained profits on initial application of AASB1044 (Note 1(v))	(15,860)	–	–
Additional provisions recognised	–	–	–
Reductions arising from payments/other sacrifices of future economic benefits	–	–	–
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to APA	–	–	–
Balance as at 30 June 2003	–	–	–
Current (Note 18)	–	–	–
Non-current (Note 23)	–	–	–
	–	–	–

^a The provision for distribution represents the aggregate amount of distributions declared, determined or publicly recommended on or before the end of the financial year, which remains undistributed as at the end of the financial year, regardless of the extent to which the distributions are expected to be paid in cash.

^b The force majeure claims provision represents claims made by certain customers on the consolidated entity for disruption to their business by extraneous events in the 2001 and 2002 financial periods. The directors had provided for these claims in full. During the current financial year, resolutions were reached with the customers concerned resulting in the reversal of the remaining provision. There were no force majeure claims against APA.

Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

30. Commitments for Expenditure

(a) Capital Expenditure Commitments

Plant and Equipment

Not longer than 1 year	1,562	12,671	–	–
Longer than 1 year but not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	1,562	12,671	–	–

Consolidated Entity's Share of Joint Venture

Entities Commitments

Not longer than 1 year	5,355	60	–	–
Longer than 1 year but not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	5,355	60	–	–

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

30. Commitments for Expenditure (continued)

(b) Other Expenditure Commitments

Consolidated Entity's Share of Joint Venture

Entities Commitments

Not longer than 1 year	1,034	723	–	–
Longer than 1 year but not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	1,034	723	–	–

31. Contingent Liabilities and Contingent Assets

Contingent Liabilities

Bank guarantees	78	35	–	–
Contingent liability arising from provision of financial support to wholly-owned controlled entities ^a	–	–	145,836	143,406

Contingent Assets

	–	–	–	–
--	---	---	---	---

^a APA has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The amount disclosed as a contingent liability is the total deficit in shareholders' funds of such wholly-owned controlled entities. The extent of cash outflow that will be required is dependent on future operations of the relevant entities.

32. Leases

(a) Finance Leases

Leasing Arrangements

Finance leases relate to leases of general property, plant and equipment. There are no contingent rental payments due or payable.

There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing.

Finance Lease Liabilities

No later than 1 year	263	243	–	–
Longer than 1 year and not longer than 5 years	510	413	–	–
Longer than 5 years	–	–	–	–
Minimum finance lease payments	773	656	–	–
Less: future finance charges	(103)	(67)	–	–
Present value of lease payments	670	589	–	–
Included in the financial statements as:				
Current interest-bearing liabilities (Note 17)	218	209	–	–
Non-current interest-bearing liabilities (Note 21)	452	380	–	–

Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

32. Leases (continued)

(b) Non-Cancellable Operating Leases

Leasing Arrangements

Operating leases relate to leases of office space and the lease of transmission pipelines in the Northern Territory. There are no renewal or purchase options and escalation clauses or restrictions imposed by the lease arrangements concerning distributions, additional debt and further leasing. Various operating leases have standard lease renewal options. Office space lease is subject to annual increases based on the Consumer Price Index ("CPI").

In respect of the transmission pipelines, the Northern Territory Government has guaranteed a minimum income to APA to meet the operating lease commitments as detailed.

Non-Cancellable Operating Leases – Transmission Pipelines

Not longer than 1 year	15,156	14,945	–	–
Longer than 1 year but not longer than 5 years	70,495	67,839	–	–
Longer than 5 years	116,625	133,447	–	–
	202,276	216,231	–	–

Non-Cancellable Operating Leases – Other

Not longer than 1 year	253	184	–	–
Longer than 1 year but not longer than 5 years	748	696	–	–
Longer than 5 years	27	338	–	–
	1,028	1,218	–	–

33. Joint Venture Operations

Joint Venture	Principal Activity	Interest of Consolidated Entity	
		2003 (%)	2002 (%)
Carpentaria Gas Pipeline	Gas pipeline operation – Queensland	70	70
Mid West Pipeline ^a	Gas pipeline operation – Western Australia	50	50

^a Pursuant to the joint venture agreement, the consolidated entity receives a 70.8% share of operating income and expenses.

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

	2003 \$'000	2002 \$'000
Current Assets		
Cash	265	384
Receivables	436	1,900
Other	150	126
Non-Current Assets		
Property, plant and equipment	154,543	147,627
Total assets	155,394	150,037

34. Controlled Entities

Name of Entity	Country of Registration/ Incorporation	Ownership Interest	Ownership Interest
		2003 (%)	2002 (%)
Parent Entity			
Australian Pipeline Trust	Australia		
Controlled Entities			
APT Pipelines Limited	Australia	100	100
ACN 006 699 378 Pty Limited	Australia	100	100
Agex Pty Limited	Australia	100	100
Amadeus Gas Trust	Australia	96	96
APT Management Services Pty Limited	Australia	100	100
APT Petroleum Pipelines Holdings Pty Limited	Australia	100	100
APT Petroleum Pipelines Limited	Australia	100	100
APT Pipelines (NSW) Pty Limited	Australia	100	100
APT Pipelines (NT) Pty Limited	Australia	100	100
APT Pipelines (Qld) Pty Limited	Australia	100	100
APT Pipelines (WA) Pty Limited	Australia	100	100
APT Pipelines Investments (NSW) Pty Limited	Australia	100	100
APT Pipelines Investments (WA) Pty Limited	Australia	100	100
East Australian Pipeline Limited	Australia	100	100
Gasinvest Australia Pty Limited	Australia	100	100
NT Gas Distribution Pty Limited	Australia	96	96
NT Gas Easements Pty Limited	Australia	100	100
NT Gas Pty Limited	Australia	96	96
Roverton Pty Limited	Australia	100	100
Sopic Pty Limited	Australia	100	100

35. Segment Information

The consolidated entity operates predominantly in one business segment, being gas transmission infrastructure, and one geographical segment, being Australia. The consolidated entity earns revenue by selling transportation and related services to the producers, consumers and aggregators of gas.

36. Directors' and Executives' Remuneration^a

	Consolidated		Trust	
	2003	2002	2003	2002
	\$	\$	\$	\$
Aggregate income paid or payable, or otherwise made available to: Directors of Australian Pipeline Limited, as responsible entity for APA ^b	1,004,900	344,182	1,004,900	344,182
Executives whose remuneration equals or exceeds \$100,000 ^{c, d}	2,142,226	2,058,880	2,142,226	2,058,880

The number of directors and executives whose total remuneration falls within each successive \$10,000 band is:

	Consolidated		Trust	
	2003	2002	2003	2002
	No.	No.	No.	No.
Directors				
\$0 to \$9,999			1	1
\$40,000 to \$49,999			4	5
\$50,000 to \$59,999			1	1
\$80,000 to \$89,999			–	1
\$90,000 to \$99,999			1	–
\$660,000 to \$669,000 ^c			1	–
Executives				
\$180,000 to \$189,999	1	–	1	–
\$250,000 to \$259,999	–	1	–	1
\$260,000 to \$269,999	–	1	–	1
\$290,000 to \$299,999	1	1	1	1
\$300,000 to \$309,999	–	1	–	1
\$320,000 to \$329,999	1	1	1	1
\$330,000 to \$339,999	1	–	1	–
\$340,000 to \$349,999	1	–	1	–
\$610,000 to \$619,999 ^c	–	1	–	1
\$660,000 to \$669,000	1	–	1	–

^a Remuneration for each director and executive officer includes salary, bonus, superannuation, retirement provisions and other benefits.

^b Mr J K McDonald was appointed managing director on 3 June 2002. Accordingly, one-twelfth of his remuneration relating to the financial year ended 30 June 2002 was included in directors' remuneration.

^c Mr J K McDonald's remuneration is included in both directors' and executives' remuneration, as he is an executive director.

^d Payment made by an entity within the consolidated entity.

	Consolidated		Trust	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration of the external auditor of APA for:				
Auditing the financial report	154,170	163,000	4,000	4,000
Compliance plan audit	11,000	11,000	–	–
Tax consolidation project	136,000	–	–	–
Other accounting and assurance services ^a	17,768	82,850	–	–
	318,938	256,850	4,000	4,000

^a Services provided were in accordance with the external auditor independence policy.

38. Related Party Disclosures

(a) Responsible Entity

The responsible entity is 50% owned by The Australian Gas Light Company and 50% owned by unrelated parties.

(b) Equity Interests in Related Parties

Details of the percentage of ordinary securities held in controlled entities are disclosed in Note 34 and the details of the percentage of ordinary shares held in joint venture entities are disclosed in Note 41.

(c) Directors' Remuneration

Details of directors' remuneration are disclosed in Note 36.

(d) Equity Holdings of Directors of Australian Pipeline Limited

	Units of APA	
	2003	2002
Number held at the beginning of the financial year by directors and their director-related entities	71,000	86,000
Purchased during the financial year by directors and their director-related entities	–	9,000
Newly appointed director, existing holding	–	6,000
Disposed during the financial year by directors and their director-related entities	–	(30,000)
Number held at the end of the financial year by directors and their director-related entities	71,000	71,000

(e) Transactions between APA and Controlled Entities

Details of dividend revenue from controlled entities are disclosed in Note 2. Aggregate amounts receivable from and payable to controlled entities are disclosed in Notes 11 and 20.

(f) Transactions with Related Parties

Transactions with related parties have taken place at arms length and in the ordinary course of business.

Australian Pipeline Limited

Management fees of \$1.163 million (2002: \$0.964 million) were paid to the responsible entity as reimbursement of costs incurred on behalf of APA. No amounts were paid directly by APA to the directors of the responsible entity.

38. Related Party Disclosures (continued)

The Australian Gas Light Company ("AGL")

The relationship between APA and AGL is governed by a number of agreements including the Pipeline Management Agreement ("PMA") and the Pipeline Development Agreement ("PDA").

Under the PMA, a controlled entity of AGL, Agility Management Pty Limited, provides technical services and certain marketing and transitional services in respect of the consolidated entity's gas transmission assets. Compensation for these services is a combination of agreed costs and an annual management fee partially indexed to CPI. The initial term of the PMA is 20 years and rolling 5 year terms thereafter, terminable on 12 months notice. The costs for specified technical and marketing services are fixed until 2005, but are reviewable thereafter. After 30 June 2005, the consolidated entity may request Agility Management Pty Limited to introduce contestability in the provision of certain of the services.

The PDA sets out the terms governing the future transfer of assets between APA and AGL. Pursuant to the PDA, both parties agree that they will jointly seek out and examine opportunities to develop projects. The PDA provides the consolidated entity with a first right to purchase at least 20% of the Papua New Guinea Gas Pipeline and AGL's entire interest in other future gas transmission projects in Australia. Under the PDA, the board of the responsible entity will review any future project offered to APA and determine whether or not to purchase the project on terms negotiated with AGL. The annual amount payable for these services is the greater of costs (determined by reference to hourly rates) and \$250,000 (increasing in accordance with CPI). The initial term of the PDA is 20 years and rolling 5 year terms thereafter, terminable on 12 months notice.

During the financial year, various controlled entities of AGL provided services to the consolidated entity as follows:

Controlled Entity of AGL	Nature of Services	2003 \$'000	2002 \$'000
Agility Management Pty Limited	Technical/marketing services under PMA	28,763	27,455
Agility Management Pty Limited	Pipeline maintenance and operating services	5,835	5,620
Agility Management Pty Limited	Other services	4,396	4,076
Other AGL controlled entities	Advisory and other services	126	276
		39,120	37,427
Agility Management Pty Limited	Capital construction projects	15,834	44,225
		54,954	81,652

During the financial year, APT Pipelines (WA) Pty Limited ("Pipelines WA"), an entity within the wholly-owned group, entered into a deed with AGL Gas Trading Pty Limited to terminate the Natural Gas Transportation Agreement ("transportation agreement") on the Westline lateral. The transportation agreement was entered into between the companies on 1 July 1997 and was for an initial period of 10 years. The need for termination arose as the mine at the delivery point of the lateral ceased operation. The settlement amount of \$1.886 million received by Pipelines WA, was calculated so as to take into account all costs associated with the decommissioning and write-down of the entire asset value of \$1.480 million of the Westline lateral.

Pipelines WA has engaged the services of Agility Team Build Pty Limited to decommission the Westline lateral.

The Gas Transportation Deed ("GTD") between East Australian Pipeline Limited ("EAPL"), an entity in the wholly-owned group, and AGL Wholesale Gas Limited is the main revenue contract for the Moomba to Sydney Pipeline system and expires on 1 January 2017. Until 1 January 2007, AGL Wholesale Gas Limited will, pursuant to the GTD, pay a series of minimum monthly payments to EAPL to be offset against AGL Wholesale Gas Limited's liability to pay for gas transported, determined using the minimum published reference tariff from time to time. As at 1 January 2007, any amounts that are not required to satisfy AGL Wholesale Gas Limited's liability to pay for transportation services are retained by EAPL.

38. Related Party Disclosures (continued)

For the period from 1 January 2007 until 1 January 2017, EAPL must provide AGL Wholesale Gas Limited firm transportation service with a grant of transportation reservation to a defined maximum daily quantity. The tariff for this service will be the minimum published reference tariff from time to time.

During the financial year, APA provided gas transportation and other services to AGL and its controlled entities. The total gas transportation and related services revenue was \$100.455 million (2002: \$100.759 million). Of this amount, transportation revenue under the GTD with AGL Wholesale Gas Limited was \$91.688 million (2002: \$93.159 million).

AGL has provided a \$5 million guarantee to enable the responsible entity to meet its dealer's licence requirements under the Corporations Act 2001.

39. Notes to the Statement of Cash Flows

	Consolidated		Trust	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of Cash				
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash	12,199	10,297	104	95
Short-term deposits	4,117	5,394	–	–
	16,316	15,691	104	95
(b) Financing Facilities				
Unsecured syndicated bank borrowings:				
Amount used	758,000	754,000	–	–
Amount unused	87,000	91,000	–	–
	845,000	845,000	–	–
(c) Controlled Entities Acquired				
Consideration:				
Cash ^a	–	2,109	–	2,109
Other assets	–	–	–	–
	–	2,109	–	2,109

^a Payment in financial year 2002 related to stamp duty creditor pertaining to the APT Pipelines Limited acquisition.

Consolidated		Trust	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

39. Notes to the Statement of Cash Flows (continued)

Fair value of net assets acquired:

Cash	–	–	–	–
Receivables	–	–	–	–
Investments	–	–	–	–
Property, plant and equipment	–	–	–	–
Intangibles	–	–	–	–
Deferred expenditure	–	–	–	–
Deferred tax assets	–	–	–	–
Other assets	–	–	–	–
Payables	–	2,109	–	2,109
Unearned revenue	–	–	–	–
Borrowings	–	–	–	–
Deferred tax liabilities	–	–	–	–
Other provisions	–	–	–	–
Outside equity interests	–	–	–	–
Total	–	2,109	–	2,109
Net cash outflow on acquisition				
Cash consideration	–	2,109	–	2,109
Less: cash balances acquired	–	–	–	–
Total outflow of cash	–	2,109	–	2,109

(d) Reconciliation of Profit from Ordinary Activities after Income Tax Expense to Net Cash Flows from Operating Activities

Profit from ordinary activities after income tax expense	41,324	37,374	62,870	37,820
(Profit) on sale of non-current assets	(63)	(82)	–	–
Share of joint venture entities' profits (net of dividends received)	(1,245)	(488)	–	–
Depreciation, amortisation and write-downs of non-current assets	26,953	27,931	–	–
Changes in assets and liabilities, net of effects from acquisitions of businesses:				
Current receivables	(1,754)	7,931	(1)	16
Current inventories	(10)	110	–	–
Other current assets	(182)	(17)	–	–
Current payables	3,686	(10,376)	192	9
Other current liabilities	(681)	1,006	–	–
Non-current assets	218	101	–	–
Non-current liabilities	831	(130)	–	–
Increase/(decrease) in income tax balances	21,512	21,726	(1)	–
Net cash from operating activities	90,589	85,086	63,060	37,845

40. Economic Dependency

- (a) A significant amount of the consolidated entity's revenues are derived pursuant to the GTD between AGL Wholesale Gas Limited and a wholly-owned controlled entity of APA, as disclosed in Note 38.
- (b) The consolidated entity is dependent to a significant extent on the technical and marketing services provided by Agility Management Pty Limited pursuant to the PMA that covers certain of the consolidated entity's gas transmission pipelines, as disclosed in Note 38.

41. Investments Accounted for Using the Equity Method

Name of Entity	Principal Activity	Ownership Interest 2003 (%)	Ownership Interest 2002 (%)
SCP Investments (No. 1) Pty Limited ^a	Transmission of natural gas	55	45

^a On 30 April 2003, the consolidated entity acquired an additional 10% interest in SCP Investment (No. 1) Pty Limited, taking the total ownership to 55%.

Even though the consolidated entity has a 55% ownership, the interest in SCP Investments (No. 1) Pty Limited has been equity accounted as the consolidated entity, pursuant to the Shareholders Agreement, does not have the capacity to carry any resolution at a meeting of the directors, which requires a higher majority of the total number of votes that may be cast in relation to the resolution than that controlled by the consolidated entity.

	Consolidated	
	2003 \$'000	2002 \$'000
(a) Movement in Investment in Joint Venture Entity		
Equity accounted amount of investment at the beginning of the financial year	130,240	129,753
Acquisition of additional interest	24,322	–
Share of net profit from ordinary activities after income tax expense	13,330	10,740
Adjustment for dissimilar accounting policies	514	486
Additional amortisation on acquisition	(297)	(289)
Share of dividends received	(12,301)	(10,450)
Equity accounted amount of investment at the end of the financial year	155,808	130,240
(b) Share of Assets and Liabilities of Joint Venture Entity		
Assets		
Cash	34,648	17,844
Other current assets	6,655	5,962
Property, plant and equipment	281,058	234,538
Liabilities		
Current payables	(13,716)	(4,767)
Current interest-bearing liabilities	(8,539)	(7,212)
Non-current liabilities	(163,704)	(135,111)
Net assets	136,402	111,254

Consolidated

2003	2002
\$'000	\$'000

41. Investments Accounted for Using the Equity Method (continued)

(c) Share of Net Profit of Joint Venture Entity

Revenues from ordinary activities	42,578	35,094
Expenses from ordinary activities	(22,783)	(19,114)
Profit from ordinary activities before income tax expense	19,795	15,980
Income tax expense attributable to ordinary activities	(6,465)	(5,240)
Profit from ordinary activities after income tax expense	13,330	10,740

(d) Share of Reserves of Joint Venture Entity

Retained profits:		
At the beginning of the financial year	2,955	2,665
At the end of the financial year	3,984	2,955

The consolidated entity's share of the contingent liabilities, capital commitments and other expenditure commitments from the interest in joint venture entities are disclosed in Notes 31 and 30 respectively.

42. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(b) Interest Rate Contracts

The consolidated entity enters into various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts. The consolidated entity's risk management policy strictly prohibits it from entering into such instruments for speculative purposes.

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts and forward interest rate contracts outstanding as at the end of the financial year:

Outstanding contracts	Weighted Average Interest Rate 2003 % pa	Notional Principal Amount 2003 \$'000	Weighted Average Interest Rate 2002 % pa	Notional Principal Amount 2002 \$'000
Less than 1 year	–	–	6.96	50,000
1 year to 2 years	5.73	295,000	–	–
2 years to 5 years	7.14	350,000	6.50	645,000
5 years and more	–	–	–	–
		645,000		695,000

42. Financial Instruments (continued)**(c) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than those referred to in Note 40.

The carrying amount of financial assets recorded in the financial statements, net of any provisions, represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

(d) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective interest rate on financial instruments at the end of the financial year are detailed in the following table:

2003	Average Interest Rate % pa	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Year(s) \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.38	16,316	–	–	–	–	16,316
Receivables	–	–	–	–	–	19,598	19,598
		16,316	–	–	–	19,598	35,914
Financial Liabilities							
Payables	–	–	–	–	–	51,255	51,255
Bank loans	5.68	758,000	–	–	–	–	758,000
Bank loan ^a	–	–	–	–	–	1,645	1,645
Interest rate contracts	6.50	(645,000)	–	645,000	–	–	–
Financial lease liabilities	7.68	670	–	–	–	–	670
Distribution payable	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	887	887
Other – unearned interest	–	–	–	–	–	6,869	6,869
– unearned revenue	–	–	–	–	–	1,506	1,506
		113,670	–	645,000	–	62,162	820,832

^a Residual payment due to financiers on expiration of lease.

42. Financial Instruments (continued)

2002	Average	Variable	Fixed Interest Rate Maturity			Non-	Total
	Interest	Interest	Less than	1 to 5	More than	Interest	
	Rate	Rate	1 Year	Year(s)	5 Years	Bearing	
	% pa	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets							
Cash	4.39	15,691	–	–	–	–	15,691
Receivables	–	–	–	–	–	18,063	18,063
		15,691	–	–	–	18,063	33,754
Financial Liabilities							
Payables	–	–	–	–	–	49,853	49,853
Bank loans	5.96	754,000	–	–	–	–	754,000
Bank loan ^a	–	–	–	–	–	1,645	1,645
Interest rate contracts	6.53	(695,000)	50,000	645,000	–	–	–
Financial lease liabilities	6.99	589	–	–	–	–	589
Distribution payable	–	–	–	–	–	15,860	15,860
Employee benefits	–	–	–	–	–	833	833
Other – unearned interest	–	–	–	–	–	6,560	6,560
– unearned revenue		–	–	–	–	1,224	1,224
		59,589	50,000	645,000	–	75,975	830,564

^a Residual payment due to financiers on expiration of lease.

(e) Net Fair Values

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1.

The net fair value of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

	Carrying Amount		Net Fair Value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assets – Not Readily Traded				
Favourable interest rate swap contract	–	(75)	–	3,231
Financial Liabilities – Not Readily Traded				
Unfavourable interest rate swap contract	(1,008)	(789)	(35,129)	(18,304)

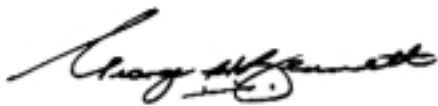
The financial statements and notes thereto of Australian Pipeline Trust ("APA") for the financial year ended 30 June 2003 have been prepared by Australian Pipeline Limited ("responsible entity") in accordance with the Corporations Act 2001.

The directors of the responsible entity declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of APA and the consolidated entity;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the directors' opinion, there are reasonable grounds to believe that APA will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the responsible entity made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



G H Bennett
Chairman



R J Wright
Director

SYDNEY, 3 September 2003

To the Unitholders of Australian Pipeline Trust**Scope****The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Australian Pipeline Trust ("the Trust") and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 22 to 52. The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

The directors of Australian Pipeline Limited, as responsible entity for the Trust, are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the unitholders of the Trust. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors of Australian Pipeline Limited, as responsible entity for the Trust.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Australian Pipeline Trust is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



DELOITTE TOUCHE TOHMATSU



J H W Riddell
Partner
Chartered Accountants
SYDNEY, 3 September 2003

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

Additional Stock Exchange Information

1. There were 28,126 holders of ordinary units as at 5 September 2003.
2. The 20 largest holders represented 46.50% of the total issued capital.
3. The distribution of holders was:

1-1,000 shares	3,901,729
1,001-5,000 shares	53,017,244
5,001-10,000 shares	30,148,109
10,001-100,000 shares	36,899,681
1000,001 shares and over	120,033,237
	244,000,000

4. There were 33 holders of less than 100 shares
5. Holders by address and class of holder were:

Addresses	No. of Holders	%	No. of Units	%
Australia	27,653	98.32	240,704,145	98.65
USA and Canada	21	0.07	66,872	0.03
United Kingdom	13	0.05	38,450	0.02
New Zealand	391	1.39	2,935,623	1.20
Others	48	0.17	254,910	0.10
	28,126	100.00	244,000,000	100.00

Class of Holder	No. of Holders	%	No. of Unit	%
Individuals	17,002	60.44	63,785,589	26.14
Companies and other	11,124	39.56	180,214,411	73.86
	28,126	100.00	244,000,000	100.00

Twenty Largest Holders as at 5 September 2003	Fully Paid Ordinary Units	% of Total Issued Units
The Australian Gas Light Company	73,200,009	30.00
Petronas Australia Pty Ltd	24,400,000	10.00
J P Morgan Nominees Australia	3,043,747	1.25
Questor Financial Services Limited	2,891,923	1.19
Commonwealth Custodial Services Limited	1,244,921	0.51
Westpac Custodian Nominees Limited	1,220,619	0.50
National Nominees Limited	1,216,986	0.50
Custodial Services Limited	845,511	0.35
Sandhurst Trustees Ltd	610,596	0.25
The Presbyterian Church Of Victoria Trusts Corporation	540,000	0.22
Huntley Investment Company Limited	501,250	0.21
Ms Thelma Joan Martin-Weber	500,000	0.20
Sandhurst Trustees Ltd	464,758	0.19
RBC Global Services Australia Nominees Pty Limited	425,700	0.17
UBS Private Clients Australia Nominees Pty Ltd	415,970	0.17
Questor Financial Services Limited	413,063	0.17
Westpac Financial Services Limited	406,166	0.17
ANZ Nominees Limited	380,471	0.16
Permanent Trustee Company Limited	375,000	0.15
Citicorp Nominees Pty Limited	370,767	0.15
	113,467,457	46.50

Enquiries

Unitholders with enquiries about their unitholdings should contact the registry:

Telephone: 02 8280 7132

Facsimile: 02 9261 8489

Email: registrars@asxperpetual.com.au

Address:

APA Unit Registry

C/- ASX Perpetual Registrars Limited

Locked Bag A14

Sydney South NSW 1235.

Distribution

The 2003 final distribution of 6.5 cents per unit is to be paid on 25 September 2003.

Change of Address

Unitholders who have changed their address should advise the registry in writing.

Direct Payment to Bank Accounts

Distributions may be paid direct to bank, building society or credit union accounts in Australia. Payments are electronically credited on the distribution payment date and confirmed by post. Unitholders who wish their distributions to be paid in this way must advise the registry in writing prior to the record date of the first distribution payment they wish to be paid by direct credit.

To Consolidate Unitholdings

Unitholders who wish to consolidate their separate unitholdings into one account should advise the registry in writing.

Annual Report Mailing List

It is at the discretion of unitholders to decide their preferred arrangements for receipt of APA's various annual report documents.

With your last distribution received in June 2003 an Annual Report Election and Email Notification Service form was sent to you giving you an option to receive notification of the Annual Report available to view on our website and be informed when the Trust

makes major public announcements regarding the Trust and its business activities. If you do wish to receive an email notification or you do not wish to receive a report, please advise the registry by phone or in writing.

Tax File Numbers

Australian resident unitholders, including minors, should advise their tax file number or exemption details to the registry either by phone or in writing. If a tax file number is not quoted and no exemption details are provided by a unitholder, APA is required by law to deduct tax at the top marginal rate of tax plus Medicare levy from the unfranked part of distributions paid to that unitholder.

You Can Do So Much More Online

Did you know that you can access – and even update – information about your holdings in Australian Pipeline Trust via the Internet?

Visit ASX Perpetual's website

www.asxperpetual.com.au and access a wide variety of holding information, make some changes online or download forms. You can:

- check your current and previous holding balances;
- choose your preferred annual report option;
- update your address details;
- update your bank details;
- confirm whether you have lodged your tax file number ("TFN"), Australian Business Number ("ABN") or exemption;
- check transaction and distribution history;
- enter your email address;
- check the unit prices and graphs; and
- download a variety of instruction forms;

You can access this information via a security login using your Securityholder Reference Number ("SRN") or Holder Identification Number ("HIN") as well as your surname (or

company name) and postcode (must be the postcode recorded on your holding record).

Don't Miss Out On Your Distributions

Distribution cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan has been activated. You can download a copy of the booklet either on APA's website or contact the registry.

Terms and Abbreviations

This report uses terms and abbreviations relevant to APA's activities and financial accounts. A glossary of the terms and abbreviations used in this report is provided on this page.

Glossary of Terms

ACCC – Australian Competition and Consumer Commission

AGL – The Australian Gas Light Company

APA or Trust – Australian Pipeline Trust

ASX – Australian Stock Exchange

CBM – Coal Bed Methane – The extraction of natural gas from a coal seam

Code – National Gas Access Code

Co-generation – The simultaneous production of electrical energy plus heat from a single fuel source, such as natural gas

EBIT – Earnings before interest and tax

EBITDA – Earnings before interest, tax, depreciation and amortisation

GGT – Goldfields Gas Transmission Pipeline system

GTD – Gas Transportation Deed

Looping – Increasing the capacity of the pipeline by installation of a second pipeline, parallel to and joined with the original

Meter Station – The point where gas is metered, which can be either the inlet or the outlet of the pipeline

MSP – Moomba to Sydney Pipeline system

Natural Gas – Naturally occurring hydrocarbons consisting mainly of methane, often associated with petroleum

NCC – National Competition Council

PNG Project – Papua New Guinea Project

RBP – Roma to Brisbane Pipeline system

Year, YEJ or Financial Year –

The 12 months to 30 June

Directory

Responsible Entity

Registered Office

Australian Pipeline Limited
ABN 99 091 344 704
Level 5, Airport Central Tower
241 O'Riordan Street
(PO Box 934), Mascot NSW 2020
Telephone: (02) 9693 0000
Facsimile: (02) 8339 0005
Website address: www.pipelinetrust.com.au

Directors of the Responsible Entity

Mr George H Bennett (Chairman)
Mr Les J Fisk
Mr John A Fletcher
Mr Thomas C Ford
Mr Muri Muhammad
Mr Robert J Wright
Mr Ng Chong Wah (Alternate Director to Muri Muhammad)
Mr James K McDonald (Managing Director)

Chief Financial Officer

Mr Graeme N Williams

Company Secretary

Mr Austin J V James

Auditors of the Trust

Deloitte Touche Tohmatsu

ASX Code

APA

Financial Calendar

SEPTEMBER 2003

Final distribution payable (25th)

OCTOBER 2003

Annual Unitholder Information Meeting (21st)
Avillion Hotel Sydney

DECEMBER 2003

Interim distribution payable (29th)

FEBRUARY 2004

Half year results announced (26th)

MARCH 2004

Interim distribution payable (26th)

JUNE 2004

Interim distribution payable (30th)
Year end (30th)

Invitation to the Annual Unitholder Information Meeting

The Annual Unitholder Information Meeting will be held in the Avillion Hotel Sydney, Corner Liverpool and Pitt Streets, Sydney, on Tuesday 21 October 2003 at 11.30am. The formal Notice of Meeting is enclosed with this report.

AUSTRALIAN PIPELINE TRUST ONLINE

For an overview to the APA and access to the business announcements, investor information and financial performance, visit www.pipelinetrust.com.au.

Australian Pipeline Trust ARSN 091 678 778



