



Dear Unitholder,

Welcome to the latest edition of *In the Pipeline*.

IN THE PIPELINE

Greetings. Since I last spoke to you, we have had a very busy time with full year results, our annual information meeting, the Minister's decision on revocation of coverage on the Moomba to Sydney Pipeline and the commencement of sale processes in relation to the Epic Energy, CMS and Duke Energy assets.

I trust you find this newsletter interesting and informative.

Full Year Results – YEJ2003

A detailed review of the full year's results may be obtained either from our annual report, full year ASX release or presentation, all of which are available on our website – www.pipelinetrust.com.au.

Our headline result was \$41 million operating profit after tax and minorities, up 10.63% on the previous corresponding period (pcp). Total revenue of \$271.9 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 \$182.2 million, was \$8.8 million, (4.9%) above the pcp. EBIT of \$113.7 million was \$7.8 million (7.4%) above pcp.

Key operating achievements

- Construction of looping stage 6 on the Roma to Brisbane Pipeline (Qld) to satisfy growing customer demand was commissioned in October 2002;
- Agreeing to innovative interruptible and firm haulage contracts with existing customers on the Roma to Brisbane Pipeline to increase throughput;
- A compressor was installed on the Carpentaria Gas Pipeline (Qld) to increase throughput, and 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.

Our outlook for the coming year recognises that APA must make acquisitions to maintain growth in profitability. Without acquisitions, it is likely that our full year results will be in line with the previous year.



However, with the wide range of natural gas pipeline sales processes under way, including the minority interests in the Goldfields Gas Transmission pipeline, the Epic Energy and Duke Energy assets, APA is confident that assets will be acquired at sensible prices.

Revocation of the Moomba to Sydney Pipeline

On 19 November 2003, the Minister for Industry, Tourism and Resources, the Right Honourable Mr Ian Macfarlane made a decision on the application by East Australian Pipeline Limited (our wholly owned subsidiary) for revocation of coverage of the Moomba to Sydney Pipeline (MSP) system under the National Gas Access Code.

More than two years since the original application was made to the National Competition Commission, the Minister's decision: -

- **Revokes** coverage for the MSP mainline from its exit point at the Moomba gas processing plant to Marsden in central New South Wales;
- **Retains** coverage for the MSP mainline from Marsden to the Sydney city gate at Wilton;
- **Retains** coverage for the Canberra lateral.

Our observations are that the Decision: -

- Recognises that competition exists in the transmission of natural gas into the markets of New South Wales and the Australian Capital Territory;
- Revokes regulatory coverage over most of the MSP, which competes to deliver gas into those markets, and
- States that pipelines which deliver gas to regional areas of New South Wales and the Australian Capital Territory, do have some monopoly characteristics and regulatory coverage of those areas is appropriate for the present.

On Friday 5 December an application was lodged with the Australian Competition Tribunal to overturn the Ministers decision.

On Monday 8 December the ACCC released a final determination on the access arrangement for the entire MSP system, (notwithstanding the Minister's decision to partially revoke coverage effectively renders that access arrangement irrelevant).

We believe the actions of the ACCC to be premature and provocative: ACCC has acknowledged the decision does not impact on MSP revenues in the short term because of existing contracts, and yet has proceeded to a final determination with haste which we consider totally inappropriate.

APA must now dedicate significant resources to representing your interests before the appeal tribunal, as well as managing an appeal against the ACCC's final determination.



We also intend to submit a revised access arrangement to give effect to the Minister's vision of defining a N.S.W. gas transmission grid serviced by multiple competing gas supply sources and pipelines.

Distribution Reinvestment Plan

The first distribution reinvestment plan (the Plan) offering resulted in 1,722,740 new units being issued to approximately 30% of unitholders at a discount to market of 2.5%. A further issue of Plan units has been approved by the Board in relation to the first interim distribution for YEJ 2004, again at a discount of 2.5% to market price.

The Board now considers whether there will be future offers of units under the Plan at each Meeting at which the interim distribution is determined. Decisions on whether to offer a discount on future offers under the Plan are made at that Meeting. The Plan offers an excellent way to acquire APA units without paying brokerage or administrative costs. Unitholders should consider whether to participate in future offerings. Election forms can be obtained from ASX Perpetual, our Registry, either by telephone 02 8280 7132 or by accessing our website – www.pipelinetrust.com.au.

A Close Knit Meeting

At this year's information meeting held on 21 October 2003, at the Avillion Hotel Sydney, we had another example of unitholder support. Our General Manager Commercial, Michael McCormack, attended, together with his wife and two young boys, Joe and George. Michael's role in APA encompasses contract negotiation, management of the pipeline operations and regulatory oversight : he spends a lot of time away from home making sure the business prospers.

Lyndall, Michael's wife, noticed the unitholder sitting next to her was knitting, and commented on how Michael had been searching for a replacement pair of hand-knitted socks. The unitholder - Isabelle – took Michael's card and said she would make some enquires.

Several weeks later Michael received a warm letter from Isabelle, together with samples of wool, and a knitting pattern for work socks.

No return address was supplied, so we take this opportunity to thank Isabelle for the thoughtful gesture.

Flying Fruit Flies

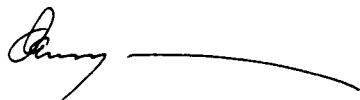
As you would be aware, the Flying Fruit Fly Circus brings performances, training programs and workshops to young people in the rural and outback Australia and is an important contributor to the development of young people. The wonderful "Fruities", of which APA is a major sponsor, will celebrate their silver jubilee next year with a new major project, Skipping on Stars.

The production is based on the life of Australia's and the world's best tightwire performer Con Colleano, an Indigenous Australian and young acrobat who travelled across Australia with his performing family. He later moved to the United States in the 1930's to perform with the famous Ringling Bros Circus where he became the highest paid performer of his time.

Skipping on Stars premiers in Melbourne and will tour to Brisbane, Sydney and Canberra.

If you are interested in show times or learning more about how the "Fruities" promote and enhance the education and cultural development of young people through circus training and touring contemporary circus performances, you can visit their website: www.fruitflycircus.com.au

On behalf of the Directors and staff of Australian Pipeline Trust, I wish you a peaceful Christmas and a prosperous New Year.



JK McDonald
Managing Director
Australian Pipeline Trust.

