Preliminary Final Report Of

Australian Pipeline Trust (“APA”)

for the Financial Year Ended 30 June 2004

ARSN 091 678 778

This Preliminary Final Report is provided to the Australian Stock Exchange (“ASX”) under ASX Listing Rule 4.3A.

Current Reporting Period:	Financial Year ending 30 June 2004
Previous Corresponding Period:	Financial Year ending 30 June 2003

Results For Announcement To The Market
For the Financial Year Ended 30 June 2004

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $'000
Revenue from ordinary activities	up	1.44	to	262,082
Profit/(loss) from ordinary activities after tax attributable to unitholders	up	195.50	to	121,292

Dividends (Distributions)

	Amount per security	Franked amount per security
Final distribution[a]	6.5¢	-¢
Interim distributions paid (Refer Note 11)		
Profit component	8.6¢	-¢
Capital component	6.4¢	-¢
Total interim distributions paid	21.5¢	-¢

Record date for determining entitlements to the dividend:

• final dividend	6 September 2004
• interim dividend	-

[a] This final distribution has not been recorded in the financial report as required by AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

The distribution is franked to 40% at the corporate income tax rate.

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

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Statement of Financial Performance
For the Financial Year Ended 30 June 2004

		2004 $'000	2003 $'000
Revenue from ordinary activities		**262,082**	258,366
Share of net profits of associates and joint ventures accounted for using the equity method		**22,990**	13,546
		285,072	271,912
Pipeline operation and management expenses		**(42,521)**	(42,936)
Depreciation and amortisation expense		**(22,567)**	(24,083)
Impairment of non-current assets		**(19,943)**	(1,480)
Other pipeline costs		**(74,577)**	(67,990)
Borrowing costs		**(63,084)**	(62,721)
Other expenses from ordinary activities		**(16,101)**	(8,024)
Profit from Ordinary Activities before Income Tax Expense	Note 2	**46,279**	65,128
Income tax benefit/(expense) relating to ordinary activities	Note 3	**75,225**	(23,804)
Profit from Ordinary Activities after Related Income Tax Expense		**121,504**	41,324
Net profit attributable to outside equity interests		**(212)**	(278)
Net Profit Attributable to Unitholders of the Parent Entity		**121,292**	41,046
Total Changes In Equity other than those Resulting from Transactions with Unitholders as Owners		**121,292**	41,046

Statement of Financial Position
For the Financial Year Ended 30 June 2004

		2004 $'000	2003 $'000
Current Assets			
Cash		**44,251**	16,316
Receivables		**12,095**	19,564
Inventories		**50**	75
Other		**1,472**	1,185
Total Current Assets		**57,868**	37,140
Non-Current Assets			
Receivables		**1**	34
Investments accounted for using the equity method		**171,137**	155,808
Property, plant and equipment		**1,184,862**	1,222,117
Intangibles		**6,188**	7,352
Deferred tax assets		**10,077**	6,530
Other		**3,538**	2,841
Total Non-Current Assets		**1,375,803**	1,394,682
Total Assets		**1,433,671**	1,431,822
Current Liabilities			
Payables		**53,929**	51,255
Interest-bearing liabilities		**180**	218
Current tax liabilities		**5,938**	-
Provisions		**1,902**	961
Other		**7,327**	7,076
Total Current Liabilities		**69,276**	59,510
Non-Current Liabilities			
Payables		**17,938**	-
Interest-bearing liabilities		**730,225**	760,097
Deferred tax liabilities		**86,956**	167,600
Provisions		**143**	136
Other		**1,127**	1,299
Total Non-Current Liabilities		**836,389**	929,132
Total Liabilities		**905,665**	988,642
Net Assets		**528,006**	443,180
Equity			
Contributed equity	Note 8	**427,435**	426,963
Retained profits	Note 9	**100,439**	16,195
Parent Entity Interest		**527,874**	443,158
Outside Equity Interest		**132**	22
Total Equity		**528,006**	443,180

Statement of Cash Flows
For the Financial Year Ended 30 June 2004

		2004 $'000	2003 $'000
Cash Flows From Operating Activities			
Receipts from customers		**275,813**	270,513
Payments to suppliers and employees		**(162,483)**	(142,872)
Dividends received		**7,667**	12,301
Interest received		**10,129**	7,416
Interest and other costs of finance paid		**(45,942)**	(54,477)
Income tax paid		**(2,869)**	(2,292)
Net cash provided by operating activities	Note 10(d)	**82,315**	90,589
Cash Flows From Investing Activities			
Payment for investments in joint venture entities		**(7)**	(24,322)
Payment for property, plant and equipment		**(2,752)**	(16,715)
Proceeds from sale of property, plant and equipment		**278**	177
Net cash used in investing activities		**(2,481)**	(40,860)
Cash Flows From Financing Activities			
Proceeds from borrowings		**16,000**	221,000
Repayment of borrowings		**(524,292)**	(217,235)
Proceeds from issue of units		**16,496**	-
Proceeds from issue of notes		**496,036**	
Payment of unit issue costs		**(122)**	-
Payment of Note issue costs		**(2,806)**	-
Proceeds from repayment of related party receivables		**-**	-
Amounts advanced to related parties		**-**	-
Distributions paid to:			
Unitholders of Trust		**(52,950)**	(52,460)
Outside equity interests		**(261)**	(409)
Net cash used in financing activities		**(51,899)**	(49,104)
Net Increase In Cash Held		**27,935**	625
Cash At The Beginning Of The Financial Year		**16,316**	15,691
Cash At The End Of The Financial Year	Note 10(a)	**44,251**	16,316

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of this preliminary final report are consistent with those adopted and disclosed in the 2003 annual financial report, except for those disclosed below.

Details of changes in accounting policies:

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Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

2. Profit From Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

	2004 $'000	2003 $'000
(a) Revenue from Ordinary Activities		
Sales Revenue:		
Pipeline transportation revenue	**169,565**	175,664
Other pipeline revenue - passthrough	**74,577**	67,990
	244,142	243,654
Interest revenue	**16,737**	13,675
Proceeds from disposal of property, plant and equipment	**278**	177
Other	**925**	860
	262,082	258,366
(b) Expenses		
Pipeline Operating and Management Expenses	**42,521**	42,936
Other Pipeline Costs:		
Operating Lease - rental expense	**15,345**	14,892
Gas Pipeline Costs	**59,232**	53,098
Total Other Pipeline Costs	**74,577**	67,990
Depreciation of non-current assets	**21,403**	22,919
Amortisation of non-current assets	**1,164**	1,164
Total Depreciation and Amortisation Expense	**22,567**	24,083
(c) Significant Items		
Mid West Pipeline written off	**19,943**	1,480
Due diligence costs on capital acquisition projects written off or provided for	**5,763**	-
Tax consolidation benefit - SCP	**(6,964)**	-
(Profit)/Loss from Significant Items before Income Tax	**18,742**	1,480
Income tax related to significant items	**(2,138)**	-
Tax consolidation benefit - APA	**(92,912)**	-
(Profit)/Loss from Significant Items after Related Income Tax	**(76,308)**	1,480

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

3. Income Tax (Benefit)/Expense

	2004 $'000	2003 $'000
(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	**46,279**	65,128
Income tax expense calculated at 30%	**13,884**	19,538
Permanent Differences:		
Non-allowable depreciation	**451**	2,036
Non-allowable interest expense	**2,060**	2,081
Amortisation of intangible assets	**349**	349
Equity share of joint venture entities' net profit (less unfranked dividends received)	**(4,597)**	(373)
Rebateable dividends	**-**	-
Deferred tax-assets not brought to account	**5,540**	(173)
Impact of the Tax Consolidation System:		
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	**(92,912)**	-
Income Tax (Benefit)/Expense relating to Ordinary Activities	**(75,225)**	23,804

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.

APA and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The implementation of the tax-consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax-consolidation system is Australian Pipeline Trust.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Australian Pipeline Trust and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

4. Commentary on Results

-See Appendix 1 Attached-

5. Fundamental Errors

-NIL-

6. Extraordinary Items

There were no extraordinary items during the period.

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

	2004 $'000	2003 $'000

7. Sales of Assets

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

	2004 $'000	2003 $'000
Net Profits		
Property, plant and equipment	**128**	63
Net Losses		
Property, plant and equipment	**-**	-

8. Contributed Equity

	2004 $'000	2003 $'000
Balance at beginning of financial year	**426,963**	437,943
Issued under distribution reinvestment plan	**16,496**	-
Capital distributions	**(15,902)**	(10,980)
Issue costs of distribution reinvestment plan	**(122)**	-
Balance at end of financial year	**427,435**	426,963

9. Retained Profits

	2004 $'000	2003 $'000
Balance at beginning of financial year	**16,195**	16,629
Net profit attributable for the year	**121,292**	41,046
Distributions provided for or paid	**(37,048)**	(41,480)
Balance at end of financial year	**100,439**	16,195

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

	2004 $'000	2003 $'000

10. Notes to the Statement of Cash Flows

(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:

	2004 $'000	2003 $'000
Cash at bank and on hand	**14,607**	12,199
Short-term deposits	**29,644**	4,117
	44,251	16,316

(b) Financing Facilities

	2004 $'000	2003 $'000
Unsecured syndicated bank borrowings:		
Amount used	**250,000**	758,000
Amount unused	**250,000**	87,000
	500,000	845,000

Guaranteed Senior Notes[a] (issued September 2003)

	A$ Amount $'000	Maturity Date
Denominated in A$		
Series A Notes	102,000	9 Sept., 2010
Denominated in US$		
Series B Notes	107,457	9 Sept., 2013
Series C Notes	177,158	9 Sept., 2015
Series D Notes	91,483	9 Sept., 2018
	478,098	

[a] APT Pipelines Limited issued Guaranteed Senior Notes ("Notes") in the US Private Placement market during the financial year. The issue was in dual currencies involving the Australian dollar and the US dollar. The amount disclosed represents the Australian dollar equivalent of Notes, as measured at the reporting date.

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

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

(c) Cash Balances Not Available for Use

- NIL -

	2004 $'000	2003 $'000
(d) Reconciliation of Profit from Ordinary Activities After Related Income Tax Expense to Net Cash Flows Provided by Operating Activities		
Profit from ordinary activities after related income tax expense	**121,504**	41,324
(Profit)/loss on sale of non-current assets	**(128)**	(63)
Share of joint venture entities profit (net of dividends received)	**(15,323)**	(1,245)
Depreciation, amortisation and writedowns of non-current assets	**44,490**	26,953
Changes in assets and liabilities:		
Current receivables	**7,469**	(1,754)
Current inventories	**25**	(10)
Other current assets	**(287)**	(182)
Current payables	**1,597**	3,686
Other current liabilities	**1,192**	(681)
Non-current assets	**34**	218
Non-current liabilities	**(164)**	831
Increase/(decrease) in income tax balances	**(78,094)**	21,512
Net cash flows provided by operating activities	**82,315**	90,589

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

11. Details Relating to Distributions

	2004		2003	
	Cents per Unit	**Total $'000**	Cents per Unit	Total $'000
Recognised amounts:				
Final distribution paid on 25 September 2003 (2003: 30 September 2002)				
Profit distribution[a]	**6.5**	**15,860**	6.5	15,860
Capital distribution	**-**	**-**	-	-
First interim distribution paid on 29 December 2003 (2003:20 December 2002)				
Profit distribution[a]	**5.0**	**12,286**	3.0	7,320
Capital distribution	**-**	**-**	2.0	4,880
Second interim distribution paid on 29 March 2004 (2003: 31 March 2003)				
Profit distribution[a]	**3.6**	**8,902**	3.0	7,320
Capital distribution	**1.4**	**3,462**	2.0	4,880
Third interim distribution paid on 24 June 2004 (2003: 26 June 2003)				
Profit distribution[a]	**-**	**-**	4.5	10,980
Capital distribution	**5.0**	**12,440**	0.5	1,220
	21.5	**52,950**	21.5	52,460
Unrecognised amounts:				
Final distribution payable on 27 September 2004 (2003: 25 September 2003)				
Profit distribution[b]	**6.5**	**17,864**	6.5	15,860
Capital distribution	**-**	**-**	-	-
	6.5	**17,864**	6.5	15,860

[a] Profit distributions were unfranked.

[b] Profit distribution for 2004 franked to 40% at the corporate income tax rate (2003: unfranked).

The final distribution in respect of the year ended 30 June 2004 has not been recognised in this financial report because the final distribution was not declared, determined or publicly recommended prior to 30 June 2004.

	2004 $'000	2003 $'000
Adjusted franking account balance (tax-paid basis)	**11,461**	2,654

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

11. Details Relating to Distributions (continued)

Any other disclosures in relation to dividends (distributions).

-NIL-

The dividend or distribution plans shown below are in operation.

The distribution reinvestment plan that is in operation is the Australian Pipeline Trust Distribution Reinvestment Plan. The plan became effective on 15 August 2003.

The last date(s) for receipt of election notices for the dividend or distribution plans	6 September, 2004

12. Earnings Per Unit

	2004 ¢ per unit	2003 ¢ per unit
Basic EPU	**49.20**	16.82
Diluted EPU	**-**	-

Basic Earnings per Unit

The earnings and weighted average number of ordinary units used in the calculation of basic earnings per unit are as follows:

	2004 $'000	2003 $'000
Earnings (a)	**121,292**	41,046

	2004 No. '000	2003 No. '000
Weighted average number of ordinary units	**246,504**	244,000

(a) Earnings used in the calculation of basic earnings per unit reconciles to net profit in the statement of financial performance as follows:

	2004 $'000	2003 $'000
Net profit from ordinary activities after tax attributable to unitholders	**121,292**	41,046
Earnings used in the calculation of basic EPU	**121,292**	41,046

Diluted Earnings per Unit

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

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

13. Net Tangible Assets Per Security

	2004 $	2003 $
Net tangible assets per security	**2.08**	1.79

14. Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities)	Not Applicable
Date control gained	Not Applicable

	2004 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control.	-

	2003 $'000
Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.	-

Loss of control of entities

Name of entity (or group of entities)	Not Applicable
Date control lost	Not Applicable-

	2004 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control.	-

	2003 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.	-

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

15. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2004 %	2003 %	**2004 $'000**	2003 $000
Equity accounted associates and joint venture entities				
SCP Investments (No.1) Pty Limited[a]	**55**	55	**22,990**	13,546
Other material interests	**-**	-	**-**	-
	-	-	**-**	-
Aggregate Share of Profits/ (Losses)	**-**	-	**22,990**	13,546

[a] During the financial year, even though APA had a 55% ownership interest, the investment in SCP Investments (No. 1) Pty Limited has been equity accounted as APA, pursuant to the Shareholders Agreement, does not control nor have the capacity to carry any resolution at the meeting of the directors, which requires a higher majority of the total number of votes which may be cast in relation to the resolution than that controlled by APA.

16. Contingent Liabilities and Contingent Assets

	2004 $'000	2003 $'000
Contingent liabilities		
Bank guarantees	**78**	78
Contingent assets	**-**	-

Notes to the Financial Statements
For the Financial Year Ended 30 June 2004

17. Segment Information

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

18. Discontinuing Operations

Not Applicable

19. Events Subsequent to Balance Date

On 30 July 2004, APA agreed to acquire CMS Energy Corporation's interests in SCP Investments (No. 1) Pty Limited and the Parmelia natural gas business for $206 million, including transaction costs, plus any working capital adjustments. The purchase was completed on 17 August 2004. The acquisition increases APA's holding in the GGT to 88.2% and gives it access to Parmelia natural gas business which includes a 416 km pipeline that supplies gas from the Perth basin, associated gas processing and storage infrastructure, and a small gas retail business. To part fund the acquisition, APA raised $61.190 million in equity, net of costs, through an institutional placement.

20. Other Significant Information

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21. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

APA will be required to prepare financial statements using the Australian equivalents to International Financial Reporting Standards ("AIFRS") for the financial years beginning 1 July 2005. APA's first financial report using AIFRS will be for the half year ending 31 December 2005. APA's comparatives will also be restated to comply with all AIFRS except AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139: "Financial Instruments: Recognition and Measurement" and most adjustments required on the restatement to AIFRS will be made against opening retained profits on 1 July 2004.

APA is closely monitoring the pronouncements in relation to implementation of AIFRS and relevant personnel are being trained in the new standards. Systems and processes are also being upgraded so that the transition to AIFRS will occur smoothly. Adoption of AIFRS will result in changes to accounting policies.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of APA. At this stage, the Trust has not been able to reliably quantify the impacts on the financial report.

AASB 3 - Business Combinations	APA's acquisition of the 45% interest of CMS in SCP will need to be restated in accordance with AIFRS as this acquisition occurred after the AIFRS transition date for APA (1 July 2004). This will result in recognition of various items such as derivatives and restoration obligations on the statement of financial position.
AASB 112 - Taxation	A "statement of financial position" approach to accounting for taxation will be adopted replacing the current "statement of financial performance" approach used by APA. This method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. Following the recent implementation of the tax consolidation process by APA, the tax base of the pipeline assets has been reset, bringing it closer to the carrying value. This will substantially reduce the impact of this standard on APA.
AASB 116 - Property, Plant and Equipment	The standard requires that the cost of an item of property, plant and equipment include the cost of dismantling the asset and restoring the site on which it is located. The pipeline licences under which APA operates, require that the land on which the pipeline runs be rehabilitated. Accordingly, the value of property, plant and equipment will be increased and an amount provided for restoration work on sites. This will have the impact of increasing depreciation expense in future periods.
AASB 139 - Financial Instruments: Recognition and Measurement	This standard will result in new assets and liabilities being recognised as all derivative contracts will be measured at fair value. Hedge accounting can only be applied where effectiveness tests are met. APA uses derivatives to manage exposures to interest rate and foreign exchange movements. The fair values of these derivatives have previously been disclosed in the notes to the financial statements. These will now be accounted for in the statement of financial position.

Compliance Statement

22. Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

☒	The accounts have been audited.	☐	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

The entity has a formally constituted audit committee.

Sign here:

Director

Date: 26/8/04

Print name: George H Bennett

Appendix 1

Review of Operations

Distribution to Unitholders

On 26 August 2004, the directors declared a final profit distribution in respect of the financial year of 6.5 cents per unit ("cpu") franked to 40% at the corporate income tax rate. This takes the total distribution for the financial year to 21.5cpu, which is consistent with the previous corresponding period ("pcp"). The profit component of the distributions was 15.1cpu with the capital component being 6.4cpu. Following APA's entry into the tax-consolidation regime and the consequent increase in tax-base of pipeline assets, APA expects to declare partially franked distributions going forward.

As a consequence of APA entering into tax-consolidation, future distributions will firstly be made out of consolidated retained profits, to the extent that they are available.

Financial Performance

APA had a substantial increase in net profit after tax and minorities ("NPATM"), following improved operating results and significant net benefit from various non-recurring items. The NPATM for the financial year was $121.292 million, an increase of 195.50% on the pcp. On an operating basis excluding the non-recurring items, the NPATM was $44.984 million, an increase of 9.59% on the pcp. The improved result was achieved, despite the contractual reduction in revenue from Moomba to Sydney Pipeline ("MSP") under the Gas Transmission Deed ("GTD"), through increased pipeline transportation revenue across all other assets and effective control of costs.

Highlights

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

- two major and far-reaching regulatory outcomes were achieved, for the MSP. The first, was the decision by the Hon. Ian Macfarlane, Minister for Industry,Tourism and Resources to partially revoke coverage of the MSP under the National Gas Access Code, accepting that competition does exist, at least on part of the MSP. The second, was the Australian Competition Tribunal ("Tribunal") review which set aside the ACCC's methodology used in the access arrangement over the MSP. In August 2004, the ACCC initiated an appeal to the Federal Court of Australia;
- APA entered into a transportation agreement with Energex to transport gas on a spot basis to existing peaking gas fired power stations located along the Roma to Brisbane Pipeline ("RBP"). Revenues will contribute to the results for year ending June 2005;
- APA raised the equivalent of A$493.230 million, net of costs, in the United States Private Placement market through the issue of Guaranteed Senior Notes ("notes"), which had a tenure extending up to 15 years. The proceeds from the issue were used to re-finance existing syndicated bank debt;
- APA entered into tax-consolidation resulting in an "one-off" income tax benefit of $92.912 million. The reset tax asset base will increase the depreciation deduction for tax purposes in future periods;
- the board activated the Distribution Re-investment Plan ("DRP") in August 2003. Four issues have been made under the DRP, raising $16.374 million in additional equity, net of costs, through the issue of 6.336 million units;
- amendments were introduced by APL to allow unitholders of APA to effectively nominate and have elected, directors of the responsible entity, other than the two AGL directors, the Petronas director and the managing director. These changes are intended to bring the governance arrangements for APL and APA up-to-date with best practice for managed investment schemes and to enhance the rights of unitholders.

Appendix 1

In addition to the above highlights, in July 2004 APA announced that it had agreed to acquire CMS Energy Corporation's ("CMS") interest in the Parmelia gas business and SCP Investments (No. 1) Pty Limited ("SCP") at a total cost of $206 million including transaction costs, plus any working capital adjustments. The purchase was completed on 17 August 2004. Along with the acquisition made in the pcp, APA now has full ownership of SCP. This acquisition results in APA assuming operational control of Goldfields Gas Transmission Pipeline ("GGT"), which is 88.2% owned by SCP. To part fund the acquisition, APA raised equity of $61.190 million, net of costs, through an institutional placement.

Significant Events

- Stress corrosion cracking ("SCC") was identified on the MSP in a remote area of South Australia. Repairs have been effected on the pipeline in five locations by the installation of epoxy-filled steel sleeves to restore pipeline integrity. Further investigative work is planned for next summer. This work may include the insertion of an "intelligent pig" into the pipeline, which travels in the gas stream and records irregularities in the steel wall of the pipe.

  APA has a pressure management plan, which ensures that MSP will be able to meet its contractual obligation to market. This has involved the re-configuration of compressors at Bulla Park to permit them to run in series, thereby reducing upstream pressure and enhancing downstream pressure.

  A repair and rehabilitation plan is being prepared to manage SCC.

- In January 2004, a fire at the Moomba plant resulted in gas deliveries into the MSP being temporarily terminated. Domestic and small user services were maintained throughout the crisis, however, supply to industrial users was temporarily interrupted. APA representatives worked with all stakeholders to assist in reducing the impact of interruption of supplies to all users and providing innovative use of the pipeline to increase the availability of natural gas. All contractual obligations were met by APA during this period.

APA did not suffer any revenue impact as the receipts are covered under the GTD.

Appendix 1

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

	Year ended 30 June 04 $ m	Year ended 30 June 03 $ m	Change Compared to 2003 $ m	%
Operating results				
Pipeline revenue	**185.591**	189.210	(3.619)	(1.91)
Other pipeline revenue	**74.577**	67.990	6.587	9.69
Other revenue	**17.940**	14.712	3.229	21.95
Total revenue	**278.108**	271.912	6.197	2.28
EBITDA	**133.935**	137.807	(3.872)	(2.81)
EBIT	**111.368**	113.724	(2.356)	(2.07)
Pre-tax profit	**65.021**	65.128	(0.107)	(0.16)
Income tax expense	**(19.825)**	(23.804)	3.979	16.72
Operating profit after tax and minorities	**44.984**	41.046	3.938	9.59
Non-recurring items				
Due diligence cost written-off	**(5.763)**	-	(5.763)	-
Mid West pipeline written-off	**(19.943)**	-	(19.943)	-
Tax consolidation benefit - SCP group	**6.964**	-	6.964	-
Non-recurring items before income tax	**(18.742)**	-	(18.742)	-
Tax effect of non-recurring items	**2.138**	-	2.138	-
Tax consolidation benefit - APA	**92.912**	-	92.912	-
Non-recurring items after tax	**76.308**	-	76.308	-
Profit after income tax and minorities	**121.292**	41.046	80.246	195.50
Earnings per unit	**49.20c**	16.82c	32.38c	192.51

Non-Recurring Items

The results of the financial year were impacted by a number of non-recurring items, which had a net favourable impact. These items were:

- in order to benefit from the rationalisation that is occurring in the gas transmission industry, APA has been involved in various acquisition efforts. While APA is acquiring CMS's Australian pipeline assets, some of the acquisition efforts were not successful. The acquisition process in relation to Dampier to Bunbury Natural Gas Pipeline in Western Australia is protracted and ongoing. As at the end of the financial year, due diligence costs in relation to unsuccessful bids and ongoing projects were written off or fully allowed for, resulting in a cost of $5.763 million;
- the carrying value of Mid West Pipeline was written off following the closure of operation of a major customer of the pipeline at Windimurra. This resulted in a cost of $19.943 million;

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- APA elected to be the head entity of a tax-consolidated group, effectively treating the group as a single entity for tax purposes. Entry into tax-consolidation resulted in uplifting tax values of pipeline assets, reversing the deferred income tax liability and providing an income tax benefit of $92.912 million; and
- the SCP group elected to join a tax-consolidated group with effect from 1 July 2003. The tax-consolidated group so formed was able to uplift the tax value of its assets. This uplift led to a reversal of the deferred income tax liability and resulted in an increase in APA's equity accounted share by $6.964 million.

The net after-tax impact of the non-recurring items is $76.308 million.

The commentary below is focused on the operating results, which exclude the above items:

Revenue

The Pipeline revenue decreased by $3.619 million to $185.591 million, which was the result of the following factors:

- lower transportation revenue on the MSP due to contractual reductions under the GTD with AGL. The revenue under GTD reduces over the next few years until December 2006, which reflects the view of negotiators of GTD that, with the emergence of competition and full retail contestability, alternate market participants will take up additional capacity. The delay in introduction of competition reforms has meant that this process did not occur as anticipated. Recently, APA has experienced the anticipated shift in market conditions with enquiries from prospective customers;
- during the pcp, APA received a settlement in relation to contract termination of $1.886 million in respect of the Westlime lateral. Excluding this one-off receipt, the revenue for the financial year was lower by $1.733 million;
- the share of net profits of joint venture entities increased to $16.026 million excluding the effect of the adjustment for tax-consolidation of SCP, an increase of $2.480 million, 18.31%, over the pcp. The majority of this increase represents the additional 10% interest acquired during the pcp; and
- transportation revenue in other pipelines increased as a consequence of capacity expansion programs undertaken in previous financial periods.

Expenses

Pipeline operation and management expenses of $42.521 million reduced by $0.415 million over the pcp, principally due to reversal of expenses over-provided in prior years following an understanding reached with the beneficiaries of the Amadeus Gas Trust.

Depreciation and amortisation expenses of $22.567 million were lower by $1.516 million, 6.29%, compared to the pcp due to lower throughput on the MSP as a result of a mild winter and supply disruption following an incident at the Moomba plant in January 2004. Depreciation on pipeline assets is calculated on a throughput basis.

The net interest and borrowing expense of $46.347 million reduced by $2.249 million, 4.63% , compared to the pcp due to re-negotiation of various hedge contracts following the issue of notes in the United States Private Placement market in September 2003.

Borrowings

As at the end of the financial year, APA had a total borrowing of $746.036 million under unsecured syndicated facility and notes.

The notes issue in September 2003 increased the weighted average term of debt portfolio, which is consistent with the business profile of the consolidated entity ie involvement in long-life infrastructure assets. APA has a hedge policy in place and utilises derivative financial instruments such as cross currency swap and interest rate swap contracts. The entire currency exposure under the notes has been fully hedged to mitigate exchange risk and 92.36% of the variable interest rate exposure was also hedged.

As at the end of the financial year, the gearing ratio was 59.05%, which is comfortably below requirements under various debt covenants. Excluding the impact of tax consolidation, the gearing ratio was 64.01%.

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Income Tax

The Business Tax Reform, of which tax-consolidation is a part, is being enacted through a series of successive legislation.

Following the Royal Assent to the legislation in June 2004 enabling APA, a trust, to act as head entity in a tax-consolidated group, the board made a decision to enter tax-consolidation effective from 1 July 2003. As a part of the tax-consolidation process, the tax values of pipeline assets were uplifted in accordance with an independent market valuation, which resulted in the release of deferred income tax liability and a corresponding income tax benefit of $92.912 million.

Earnings per Unit

Earnings per unit of 49.20cpu increased by 192.51% over the pcp, reflecting increased profitability from operating and non-recurring items as mentioned above. Earnings per unit excluding non-recurring items was 18.25cpu, an increase of 8.50% over the pcp.

Cash Flow

The cash flow from operating activities of $82.315 million reduced by $8.274 million, 9.13%, from the pcp. The reduction in the cash flow was principally a result of lower dividends received from SCP. The reduction in revenue from the MSP during the financial year also contributed to the lower cash flow from operating activities.

The notes issue raised $493.230 million, net of costs, which was utilised to re-finance syndicated borrowing. The DRP issues raised $16.374 million, net of costs. An amount of $2.752 million was invested in additions to plant and equipment. A further $52.950 million was paid in distributions to unitholders.

Regulatory Matters

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:

- the Minister for Industry, Tourism and Resources, the Honourable Ian Macfarlane's decision in November 2003 was that coverage of the MSP should be partially revoked under the National Third Party Access Code for Natural Gas Pipeline Systems. The Minister's decision was affirmed after the matter was considered by the Tribunal in April 2004;

  In due course APA will be developing a revised access arrangement for the balance of the MSP system (possibly including Central West Pipeline, the Interconnect with Victoria's GasNet System and future spur lines or extensions). This will be identified as the NSW/ACT Regional Gas Transmission Grid;

- in July 2004, the Tribunal upheld APA's appeal against the ACCC's Determination on the MSP access arrangement. The Tribunal decision set aside the Determination, finding the ACCC valuation of the pipeline, which affected the tariff that could be charged, had fundamental errors in principle;

  In August 2004, the ACCC announced that it applied to the Federal Court of Australia seeking a judicial review of the Tribunal's decision;

  APA will be applying the outcome of the Tribunal's decision in its preparation of an access arrangement for the covered portion of the MSP system;

- the review of the Gas Access Regime by the Productivity Commission is now complete. The inquiry has concluded and the final report has been forwarded to the Australian Government for its consideration and release. It is anticipated that the policy changes suggested by the Productivity Commission will be adopted by the Australian Government;

- the National Competition Council has determined that the regulatory regime in Queensland is "ineffective" and that the derogations in relation to the RBP and the Carpentaria Gas Pipeline should not apply. APA continues to contest the determination. There is no immediate revenue impact arising from the determination; and

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- the Western Australian Economic Regulatory Authority ("ERA") has now released its further draft decision on the access arrangement for the GGT. APA will be pursuing amendments to the access arrangement, which will reflect the impact of the Tribunal decision on the MSP's access arrangement.

Investment

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 periods, which are likely to arise from industry rationalisation and other means. These acquisitions will underpin growth in future profitability and allow for long-term financial growth.