

**Preliminary Final Report Of
Australian Pipeline Trust (“APA”)
for the Financial Year Ended 30 June 2003**

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 2003

Previous Corresponding Period: Financial Year ending 30 June 2002

Australian Pipeline Trust

Results For Announcement To The Market For the Financial Year Ended 30 June 2003

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount \$'000
Revenue from ordinary activities	up	5.68	to	258,366
Profit/(loss) from ordinary activities after tax attributable to members	up	10.63	to	41,046
Net profit/(loss) attributable to members	up	10.63	to	41,046

Dividends (Distributions)

	Amount per security	Franked amount per security
Final distributions ^a	6.5¢	-¢
Interim distributions paid (Refer Note 9)		
Income component	10.5¢	-¢
Capital component	4.5¢	-¢
Total interim distributions paid	15.0¢	-¢

Record date for determining entitlements to the dividend:

- final dividend 12 September 2003
- 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".

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

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Australian Pipeline Trust

Statement of Financial Performance For the Financial Year Ended 30 June 2003

	2003 \$'000	2002 \$'000
Revenue from ordinary activities	258,366	244,474
Share of net profits of associates and joint ventures accounted for using the equity method	13,546	10,938
Pipeline operation and management expenses	(42,936)	(40,496)
Other pipeline costs	(67,990)	(61,053)
Depreciation and amortisation expense	(24,083)	(26,338)
Borrowing costs	(62,271)	(59,741)
Other expenses from ordinary activities	(9,504)	(8,687)
<i>Profit from Ordinary Activities before Income Tax Expense</i>	65,128	59,097
Note 2		
Income tax expense relating to ordinary activities	(23,804)	(21,723)
<i>Profit from Ordinary Activities after Income Tax Expense</i>	41,324	37,374
Net profit attributable to outside equity interests	(278)	(273)
<i>Net Profit Attributable to Unitholders of the Parent Entity</i>	41,046	37,101
<i>Total Changes In Equity other than those Resulting from Transactions with Unitholders as Owners</i>	41,046	37,101

Australian Pipeline Trust

Statement of Financial Position For the Financial Year Ended 30 June 2003

	2003 \$'000	2002 \$'000
Current Assets		
Cash	16,316	15,691
Receivables	19,564	17,810
Inventories	75	66
Other	1,185	1,005
Total Current Assets	37,140	34,572
Non-Current Assets		
Receivables	34	253
Investments accounted for using the equity method	155,808	130,240
Other financial assets	-	-
Property, plant and equipment	1,222,117	1,232,010
Intangibles	7,352	8,516
Deferred tax assets	6,530	7,176
Other	2,841	4,102
Total Non-Current Assets	1,394,682	1,382,297
Total Assets	1,431,822	1,416,869
Current Liabilities		
Payables	51,255	49,853
Interest-bearing liabilities	218	209
Current tax liabilities	-	1
Provisions	961	17,266
Other	7,076	7,316
Total Current Liabilities	59,510	74,645
Non-Current Liabilities		
Payables	-	-
Interest-bearing liabilities	760,097	756,025
Deferred tax liabilities	167,600	146,853
Provisions	136	131
Other	1,299	468
Total Non-Current Liabilities	929,132	903,477
Total Liabilities	988,642	978,122
Net Assets	443,180	438,747
Equity		
Capital	474,787	474,787
Capital Distribution	(47,824)	(36,844)
Capital at period end	426,963	437,943
Retained profits	16,195	769
Parent Entity Interest	443,158	438,712
Outside Equity Interest	22	35
Total Equity	443,180	438,747

Note 7

Australian Pipeline Trust

Statement of Cash Flows For the Financial Year Ended 30 June 2003

	2003	2002
	\$'000	\$'000
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	270,513	267,635
Payments to suppliers and employees	(142,872)	(148,211)
Dividends received	12,301	10,450
Interest received	7,416	6,960
Interest and other costs of finance paid	(54,477)	(51,747)
Income tax paid	(2,292)	(1)
<i>Net cash provided by operating activities</i>	90,589	85,086
Note 8(e)		
<i>Cash Flows From Investing Activities</i>		
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	-	(2,109)
Note 8(b)		
<i>Net cash used in investing activities</i>	(40,860)	(50,790)
<i>Cash Flows From Financing Activities</i>		
Proceeds from borrowings	221,000	190,500
Repayment of borrowings	(217,235)	(169,717)
Distributions paid	(52,869)	(51,625)
<i>Net cash used in financing activities</i>	(49,104)	(30,842)
<i>Net Increase In Cash Held</i>	625	3,454
<i>Cash At The Beginning Of The Financial Year</i>	15,691	12,237
<i>Cash At The End Of The Financial Period</i>	16,316	15,691
Note 8(a)		

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

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 2002 annual financial report, except those disclosed below.

Details of changes in accounting policies:

In accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets', on 1 July 2002 APA 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 of APA by the amount of the distribution provision as at 30 June 2002 (\$15.860 million).

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

	2003	2002
	\$'000	\$'000
2. Profit/(Loss) From Ordinary Activities		
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue from Ordinary Activities		
Sales Revenue:		
Pipeline transportation revenue	175,664	169,483
Other pipeline revenue - passthrough	67,990	61,053
	243,654	230,536
Interest revenue	13,675	12,949
Other	1,037	989
	258,366	244,474
(b) Expenses		
Pipeline Operating and Management Expenses	42,936	40,496
Other Pipeline Costs:		
Operating Lease – rental expense	14,892	15,735
Gas Pipeline Costs	53,098	45,318
Total Other Pipeline Costs	67,990	61,053
Depreciation of non-current assets	22,716	24,824
Amortisation of non-current assets	1,367	1,514
Depreciation and Amortisation Expense	24,083	26,338
Recoverable Amount Writedowns		
Property, plant and equipment	1,480	203
	1,480	203
(c) Revision of Accounting Estimates		

Details of the nature and amount of revisions 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.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

3. Commentary on Results

-See Appendix 1 Attached-

4. Fundamental Errors

-NIL-

5. Extraordinary Items

There were no extraordinary items during the period.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

	2003 \$'000	2002 \$'000
6. 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	<u>63</u>	<u>82</u>
Net Losses		
Property, plant and equipment	<u>-</u>	<u>-</u>
7. Retained Profits		
Balance at beginning of financial year	769	1,488
Adjustments to opening retained profits on initial adoption of AASB1044 'Provisions, Contingent Liabilities and Contingent Assets'		
Write back prior year distribution provision	15,860	-
Net profit attributable for the period	41,046	37,101
Distributions provided for or paid	<u>(41,480)</u>	<u>(37,820)</u>
Balance at end of financial year	<u>16,195</u>	<u>769</u>

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

2003 \$'000	2002 \$'000
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8. 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:

Cash at bank and on hand	12,199	10,297
Short-term deposits	4,117	5,394
	16,316	15,691

(b) Controlled Entities Acquired

Consideration

Cash ^a	-	2,109
		2,109

Fair Value of Net Assets Acquired

Cash	-	-
Receivables	-	-
Investments	-	-
Property, plant and equipment	-	-
Intangibles	-	-
Deferred expenditure	-	-
Deferred tax assets	-	-
Other assets	-	-
Payables	-	2,109
Unearned revenue	-	-
Borrowings	-	-
Deferred tax liabilities	-	-
Other provisions	-	-
Outside equity interests	-	-
Total	-	2,109

Net Cash Outflow on Acquisition

Cash consideration	-	2,109
Less cash balances acquired	-	-
Total Outflow of Cash	-	2,109

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

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

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

	2003 \$'000	2002 \$'000
(c) Financing Facilities		
Unsecured syndicated bank borrowings:		
Amount used	758,000	754,000
Amount unused	87,000	91,000
	845,000	845,000

(d) Cash Balances Not Available for Use

- NIL -

	2003 \$'000	2002 \$'000
(e) Reconciliation of Profit from Ordinary Activities After Related Income Tax to Net Cash Flows from Operating Activities		
Profit from ordinary activities after income tax expense	41,324	37,374
(Profit)/loss on sale of non-current assets	(63)	(82)
Share of joint venture entities profit (net of dividends received)	(1,245)	(488)
Depreciation, amortisation and writedowns 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
Current inventories	(10)	110
Other current assets	(182)	(17)
Current payables	3,686	(10,376)
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
Net cash from operating activities	90,589	85,086

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

9. Details Relating to Dividends (Distributions)

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Final dividend	2003	25 September 2003	6.5	-
	2002		6.5	-
Interim dividend	2003		15.0	-
	2002		15.0	-
Total	2003		21.5	-
	2002		21.5	-

Total dividend (distribution) per security (interim plus final)

	2003 ¢	2002 ¢
Ordinary Units	21.5	21.5
Total	21.5	21.5

Interim and final dividend (distribution) on all securities

	2003 \$'000	2002 \$'000
Ordinary Units	52,460	52,460
Total	52,460	52,460

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

9. Details Relating to Dividends/(Distributions) (continued)

Any other disclosures in relation to dividends (distributions).

The distributions reflected above represent the following:

- The first interim distribution of 5 cents per unit ("cpu") comprising of 2 cpu of capital distribution and 3 cpu of income distribution (unfranked) paid on 20 December 2002.
- The second interim distribution of 5 cpu comprising of 2 cpu of capital distribution and 3 cpu of income distribution (unfranked) paid on 31 March 2003.
- The third interim distribution of 5 cpu comprising of 0.5 cpu of capital distribution and 4.5 cpu of income distribution (unfranked) paid on 26 June 2003.
- A final distribution of 6.5 cpu comprised entirely of an unfranked income distribution to be paid on 25 September 2003. The final distribution in respect of the units for the year ended 30 June 2003 has not been recognised in this preliminary final report because the final distribution was declared, determined or publicly recommended subsequent to 30 June 2003.

In addition to the above distributions, APA paid 6.5cpu on 30 September 2002 as final distribution in respect of financial year ended 30 June 2002.

As at 30 June 2003, \$2.655 million of franking credits were available. APA is not expected to pay significant franked distributions until after 2004 financial year, as previously advised.

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

12 September, 2003

10. Earnings Per Unit

	2003 ¢ per unit	2002 ¢ per unit
Basic EPU	16.82	15.21
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:

	2003 \$'000	2002 \$'000
Earnings (a)	41,046	37,101
	2003 No. '000	2002 No. '000
Weighted average number of ordinary units	244,000	244,000

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

10. Earnings Per Unit (continued)

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

	2003 \$'000	2002 \$'000
Net profit from ordinary activities after tax attributable to unitholders	41,046	37,101
Restatement of net profit used in the calculation of basic EPU for the effects of:		
Changes in accounting policy adjusted directly against opening retained earnings in accordance with the transitional provisions of Accounting Standards and UIG Consensus Views (note 1):	-	-
Earnings used in the calculation of basic EPU	41,046	37,101

Diluted Earnings per Unit

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

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

11. Net Tangible Assets Per Security

	2003 \$	2002 \$
Net tangible assets per security ^a	1.79	1.76

^a Net Tangible Asset reflects the return of capital included in the interim and final distributions.

12. 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

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.

**2002
\$'000**

-

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

12. Details of Entities Over Which Control Has Been Gained or Lost (continued)

Loss of control of entities

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

	2003
	\$'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.	-
	2002
	\$'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.	-

13. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2003 %	2002 %	2003 \$'000	2002 \$000
Equity accounted associates and joint venture entities				
SCP Investments (No.1) Pty Limited ^a	55	45	13,546	10,938
Other material interests	-	-	-	-
	-	-	-	-
Aggregate Unit of Profits/ (Losses)	-	-	13,546	10,938

^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 APA has 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.

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Notes to the Financial Statements For the Financial Year Ended 30 June 2003

14. Contingent Liabilities and Contingent Assets

	2003 \$'000	2002 \$'000
Contingent liabilities		
Bank guarantees	78	35
Contingent assets	-	-

15. 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.

16. Discontinuing Operations

Not Applicable

17. Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of APA.

Australian Pipeline Trust

Notes to the Financial Statements For the Financial Year Ended 30 June 2003

18. Other Significant Information

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

Income Tax Expense

The income tax expense shown in the Statement of Financial Performance varies by more than 15% from the prima facie tax payable on Profit from Ordinary Activities before Income Tax for the period, primarily due to non-deductibility of interest expense on infrastructure bonds of \$6.559 million and non-deductible depreciation and amortisation charges totalling \$7.949 million arising mainly from the fair valuing of assets on acquisitions.

Australian Pipeline Trust

Notes to the Financial Statements For the Financial Year Ended 30 June 2003

Compliance Statement

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.

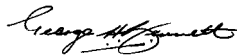
- N/A -

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:



3 September, 2003

Director

Date

Print name: George H Bennett

Appendix 1

Review of Operations

Distribution to Unitholders

The directors declared a final unfranked income distribution of 6.5 cents per unit (“cpu”) for the 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 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 (“RBP”) in Queensland to satisfy growing customer demand. The looping was commissioned in October 2002;
- agreeing innovative interruptible and firm haulage contracts with existing customers on the RBP to increase utilisation of the pipeline;
- installation of a compressor on the Carpenteria 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, in principle, 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”).

Australian Pipeline Trust

Appendix 1

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

	Year Ended	Year Ended	Change Compared to 2002	
	30 Jun 03	30 Jun 02	\$ m	%
	\$ m	\$ m	\$ 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 pipeline 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 pcp 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 settlement, Pipeline revenue increased by 3.83% from the pcp.

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 into 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 pcp, due to increases in insurance costs and additional expenses associated with operations and management of capital expansions.

Australian Pipeline Trust

Appendix 1

Depreciation and amortisation expenses of \$24.083 million, were lower by \$2.255 million, or 8.56%, compared to the pcp 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 pcp 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 pcp. 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

As 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 tax regime on long-life assets.

As a part of the Business Tax Reform, the Commonwealth 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 cents per unit, 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 pcp. This is in line with the increase in earnings before interest, tax, depreciation and amortisation (EBITDA).

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.

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Appendix 1

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 Gas Access Regime 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.
- the National Competition Council has recommended to the Honourable Ian Campbell, 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.
- litigation concerning the Western Australian Office of Regulator General (ORG), 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 ORG.

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.