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www.pipelinetrust.com.au

Australian Pipeline Trust

Australian Pipeline Ltd
ACN 091 344 704

ARSN 091 678 778

26 August 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This announcement refers to the results of Australian Pipeline Trust ("APA") as detailed in the Appendix 4E– Preliminary Final Report for the period 1 July 2003 to 30 June 2004.

The directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust (APA) are pleased to announce the audited full year results for the year ended 30 June 2004 (YEJ 2004) for APA.

Full year net profit after tax and minorities for YEJ 2004 was $121.292 million, up 195.50% on the previous corresponding period, ("pcp") result of $41.046 million.

On an operating basis excluding non-recurring items, net profit after tax and minorities was $44.984 million, an increase of 9.59% on the pcp.

	YEJ 2004	YEJ 2003	Change compared to YEJ 2003	
	$'000	$'000	$'000	%
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	(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	**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

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Financial Ratios

	YEJ 2004	YEJ 2003	Change compared to YEJ 2003	%
Earnings Per Unit (cents)	**49.20**	16.82	32.38	192.51
Net Tangible Asset Backing per unit (after capital distributions)	**$2.08**	$1.79	-	-
Operating Cash Flow per unit – excluding interest (cents)	**47.2**	56.41	(9.21)	(16.33)
Interest Cover Ratio	**2.3**	2.4	-	-
Gearing Ratio (%)	**58.37**	63.3	-	-

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 Energy Corporation's ("CMS") Australian pipeline assets, several of the acquisition efforts have not been successful (details on page 7). 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, on an after-tax basis;
- 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 Southern Cross Pipelines ("SCP") group, owners of 88.2% of Goldfields Gas Transmission pipeline (GGT) elected to join a tax-consolidated group with effect from 1 July 2003. The tax-consolidated group so formed was able to restate the tax value of its assets. This uplift led to a reversal of 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.

Excluding the non-recurring items, the main factors contributing to the result were the higher revenues from pipeline asset expansion programs, primarily in Queensland, additional equity accounted profit contribution from GGT (Western Australia) as a consequence of increased ownership of the pipeline by APA, and effective control of costs.

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Distribution to Unitholders

On 26 August 2004, the Directors declared a final profit distribution for the year ended 30 June 2004 of 6.5 cents per unit ("cpu") and franked to 40% (at the corporate income tax rate). The record date for the distribution is 6 September 2004 and the "ex" date will be 31 August 2004. The date for payment of the distribution is 27 September 2004.

This takes the total distribution for the financial year to 21.5 cpu, which is consistent with the pcp. The profit component of the distributions was 15.1 cpu with the capital component being 6.4 cpu. APA expects to be able 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.

Distribution Reinvestment Plan

The Board has determined that a further issue of units under the Distribution Reinvestment Plan (DRP) will be made at a discount to market of 2.5%. The last date for receipt of election notices for the DRP is 5pm on 6 September 2004. Details of the Plan are available from the Registry at ASX Perpetual (ph 02 8280 7132) or on the APA website – www.pipelinetrust.com.au

The commentary below is focused on the operating results, which exclude the non-recurring items.

COMMENTARY

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 The Australian Gas Light Company ("AGL"). The revenue under the GTD reduces over the next few years until December 2006, which reflects the view of negotiators of the GTD that, with the emergence of competition and full retail contestability, alternate market participants would take up additional capacity. The delay in introduction of competition reforms meant that this process did not occur as anticipated. Recently APA has experienced the anticipated shift in market conditions with inquiries 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 in SCP 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 overprovided in prior years following an understanding reached with the beneficiaries of the Amadeus Gas Trust.

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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 a fire at Moomba 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 total borrowings of $746.036 million under an unsecured syndicated facility and notes.

The notes issue in September 2003 increased the weighted average term of the debt portfolio, which is consistent with the business profile of the consolidated entity ie. involvement in long-life infrastructure assets. APA has an interest 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%.

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 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 49.20 cpu 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 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 addition to plant and equipment. A further $52.950 million was paid in distributions to unitholders.

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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 the argument 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 valuation methodology used in the access arrangement over the MSP. In August 2004, the ACCC initiated an appeal of this decision 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 US Private Placement market through issue of Guaranteed Senior Notes ("notes"), which had a tenor extending to 15 years. The proceeds from the issue were used to re-finance 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;
- the board activated the 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, up to three of the seven 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.

In addition to the above achievements, in July 2004 APA announced that it had agreed to acquire CMS' interest in the Parmelia gas business and SCP Investments No. 1 Pty Ltd ("SCP") at a total cost of $206 million, plus working capital adjustments. The purchase was completed on 17 August 2004.

Along with the acquisition made in the previous financial year, APA now has full ownership of SCP. This acquisition also resulted in APA assuming operational control of 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.

The acquisition of the remaining interest of SCP, is a major step in achieving better asset diversity and reducing APA's reliance on MSP's revenues.

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 obligations to market. This has involved the re-configuration of compressors at Bulla Park to permit them to run in series, thereby reducing upstream pressure, while increasing downstream flow capability.

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

- In January 2004, a fire at the Moomba gas 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 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.

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 parties who sought to appeal, withdrew. 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 had 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 Commission 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

- 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 MSP's access arrangement.

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OTHER ISSUES

Acquisitions

The gas transmission industry underwent rationalisation over the past year. APA has pursued the resultant assets sales vigorously throughout the year and incurred significant cost in the pursuit these asset sales. The sales process for the Dampier Bunbury Natural Gas Pipeline is continuing, with 27 August 2004 being the deadline for lodging bids.

As our stated aim is only to pay what we believe is a commercially reasonable amount, APA was unsuccessful in its bid to acquire the South West Queensland Pipeline, Pilbara Pipeline System and the Duke Roma to Gladstone pipeline. For the same reason, APA was not successful in its bid for the right to build the $100 million pipeline project from Port Hedland to the Telfer Gold Mine in Western Australia.

Gas Supply

APA continues to address the question of future natural gas supplies to south-east Australia from the end of this decade. Coal bed methane ('CBM") producers are becoming optimistic about the commercial sustainability of CBM fields under development, and contracts have been announced. It is understood that the Origin/Santos gas swaps earlier this year reflect Origin's confidence in its ability to source CBM in Queensland. Again, it is worth noting that the Enertrade pipeline to the Townsville power station is now almost complete, and is expected to be wholly supplied by CBM.

Discussion is well advanced for APA to install a prototype gas treatment and compression facility in Central Queensland CBM fields to provide further diversity to our business.

The firming of CBM as an alternative to natural gas from the Moomba basin has reduced the immediate necessity to find alternative supplies from northern Australia. Notwithstanding, APA still believes that a pipeline delivering natural gas from northern sources is essential for the provision of competitive natural gas supplies past this decade.

OUTLOOK

APA expects that in respect of YEJ 2005, the additional contribution from the 45% acquisition of SCP, will more than offset the contracted reduction in GTD payments, which up until 31 December 2006 are not volume related. APA will be able to, at least, maintain its current distribution levels. As noted, distributions are expected to be partially franked going forward.

UNITHOLDER ANNUAL MEETING

APA will be holding an unitholder annual meeting at the Carlton Crest Hotel, Sydney on Wednesday 20 October 2004 at 11.30am to offer the opportunity for unitholders to meet and discuss our performance in this full year.

In line with the amendments to the election of certain directors under the constitution of Australian Pipeline Limited, the following directors are retiring at the end of the annual general meeting of Australian Pipeline Limited, having served in the position of director for more than three years – the Chairman, George Henry Bennett, and two ordinary directors, Robert Joseph Wright (who is also chairman of the Audit and Risk Management Committee) and Mr Thomas Cumming Ford.

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All three directors have indicated that they wish to nominate for election.

Unitholders are advised that, as part of the constitutional changes to Australian Pipeline Limited, unitholders may nominate candidates for the three directorial positions. Only completed nomination forms received at the ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South NSW 1235 by no later than 5pm on 10 September 2004 will be accepted.

A candidate may withdraw his or her nomination for election by notification in writing to Australian Pipeline Trust at any time before the annual meeting

Copies of the nomination form are available on the Australian Pipeline Trust website – www.pipelinetrust.com.au, or by contacting ASX Perpetual Registrars Limited

Voting to approve successful candidates for these positions will occur at the unitholder annual meeting of APA (details above). Following completion of the unitholder annual meeting, the annual general meeting of Australian Pipeline Limited will occur to elect the directors, nominated and approved by the unitholders of APA, to the vacant positions.

George H. Bennett
Chairman

About Australian Pipeline Trust (APA)
The Australian Pipeline Trust is the major ASX listed natural gas Pipeline Company in Australia with interests in over 7,500km of pipeline infrastructure. The Trust has a varied and quality customer base including AGL, Cooper Eromanga Basin Producers, Xstrata, Newmont, CS Energy, BHP Billiton, Zinifex, Incitec Pivot, Origin, Energex and WMC.

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