Australian Pipeline Trust

Annual General Meeting

Avillion Hotel Sydney

11.30 am 21 October 2003

CHAIRMAN'S ADDRESS

SLIDE 1 – APA UNITHOLDER INFORMATION MEETING

Good morning ladies and gentlemen. My name is George Bennett and I am Chairman of Australian Pipeline Limited, the responsible entity for Australian Pipeline Trust.

A warm welcome to this, our third annual meeting of unitholders.

Our register has more than 28,000 unitholders. Our recent offer under the distribution reinvestment plan (of which more later) was well received with over 7,066 unitholders holding over 72 million units participating. That's a participation rate of approximately 30% - a good outcome.

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Before we begin this morning's proceedings, there are a few housekeeping matters I would like to go through.

First, may I ask that all mobile phones and pagers be switched off.

Second, we will be referring to Australian Pipeline Trust by its Australian Stock Exchange code – APA – during the meeting.
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Copies of today's presentations will be posted on our website at www.pipelinetrust.com.au immediately after this meeting.

The site has a wide range of information that may be of interest to investors.

This includes media releases, financial information, as well as briefing sessions with Jim McDonald, our Managing Director.

These explain our thinking on a number of important issues that affect our business.

As well as being able to access the annual report from the website, which is a real saving in costs and to the environment, you can access all APA announcements which are posted on our website by providing your email address to our Registry – ASX Perpetual.
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The annual report was posted to unitholders on September 25th.

As we did last year, only a full annual report was produced this year to minimise unnecessary costs.

If, in the future, you don’t wish to receive a report, please advise the share registry – ASX Perpetual.

We also welcome your feedback on our report.

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Before we get on with the business of the meeting, I would like to introduce my fellow directors.

Moving from left to right, they are Les Fisk, Joe Casamento, Tom Ford, Muri Muhammad, Robert Wright, and our Managing Director Jim McDonald. John Fletcher is currently on leave from the Board and will be returning in January 2004. During that period he has appointed Joe Casamento as his alternate.

Austin James is our Company Secretary.

Ng Chong Wah retired from Petronas in June 2003 and has now retired as alternate for Muri Muhammad. We thank Ng Chong Wah for his contribution. Mr Muhammad has appointed Ed Osman Ridzwan as his alternate. Mr Ridzwan is not present today.

James Riddell represents APA’s financial and compliance auditor, Deloitte Touche Tohmastu at this meeting.

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As those of you who attended last year will recall - and for the benefit of those attending for the first time – the purpose of today's meeting is an information meeting.
It is not intended to put any resolutions for unitholders' approval.

You will, however, have an opportunity to question both Jim and myself, along with the rest of the Board and senior management after our presentations.
And, at the close of the meeting, we look forward to talking with you during the light refreshments, which will be served next door.

SLIDE 2 – AGENDA

Today we would like to discuss the results for the year ended 30 June 2003 and outline APA's strategies over the coming years. As part of that outline, I intend to update unitholders on steps we have taken to ensure that APA has the greatest flexibility to raise equity to fund proposed acquisitions and developments.

Jim McDonald will be discussing the regulatory environment, gas supply issues and industry rationalisation.
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SLIDE 3 – FULL YEAR RESULTS IN SUMMARY

Turning to the results for the year ending 30 June 2003.
For the purposes of today's presentation, I will be comparing Year ended June 2003 with the previous corresponding twelve months period.

APA continues to build on the solid performance of the last two years.
Profit attributable to unitholders was $41 million, an increase of 10.63% on the previous corresponding period's $37.1 million.
This result has again exceeded expectations.

SLIDE 4 – RESULTS IN SUMMARY (CONT'D)
Full Year Revenue Breakdown.

[Build Line 1-PIPELINE REVENUE]
Pipeline revenue (which includes pipelines that we own and in which we have a majority interest) was $189.2. million, an increase of $8.8 million or 4.9% on last year's $180.4 million. A number of factors contributed to this improvement.

In Queensland, we earned higher revenues from our Roma-to-Brisbane pipeline system, as a result of the first full year impact of looping stage 5.

Carpentaria Gas Pipeline provided higher revenue due to increased throughput to customers.
We also received an increase in pipeline revenue from the railway sleeper factories in the Northern Territory.

In Western Australia, the equity-accounted profit contribution from Goldfields Gas Transmission of $13.5 million (the orange bar on the slide) was **$**2.6million higher than the previous year, thanks to increased underlying profits and an increase in APA's ownership of the pipeline to an effective 48.5% in April 2003.

During the financial year, APA received an amount of $1.9 million as settlement for the termination of the contract on the Westlime lateral in Western Australia. The settlement with the customer on the lateral was reached so as to take account of all costs associated with its closure, including the write-down of $1.5 million on asset value. The transaction had no impact on the consolidated entity's reported profit. Excluding the settlement revenue, total pipeline transportation revenue which includes the contribution from Goldfields Gas Transmission, was $187.3 million, an increase of $6.9 million (3.8%) on the pcp.

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Offsetting these revenue increases was the predicted loss of revenue on the Moomba to Sydney Pipeline due to the impact of the Eastern Gas Pipeline, the competing pipeline into the Sydney and Canberra markets.

Revenue was also impacted by the temporary closure of the Xstrata owned vanadium mine at Windamurra on the Midwest pipeline in WA. Prior to the closure, the mine was the largest customer on the pipeline. APA is confident that the continued exploration of the area will produce additional load from future mining developments. No adjustment to the asset value of the Midwest pipeline is considered necessary at this stage.

BUILD LINE 2
[OTHER PIPELINE REVENUE]

Other pipeline revenue of $68 million was $6.9 million higher than last year, up 11.4%.
This is passthrough revenue and delivers no margin to APA.
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BUILD LINE 3
[OTHER REVENUE & TOTAL REVENUE]

Other revenue of $14.7million was up 5.6%. This revenue consists primarily of infrastructure bond interest income.
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This brings the total revenue for the period to $271.9 million compared with last year's $255.4 million, an increase of 6.5%.
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SLIDE 5 – RESULTS IN SUMMARY (CONTD)

Revenue by Pipeline

Moving to a breakdown of the contribution of each of our major pipelines to total pipeline revenue.
You will note that the Moomba to Sydney and Amadeus Gas Trust Pipeline are clearly the largest contributors to revenue.
However, much of the revenue from Amadeus Gas Trust is in the form of passthrough revenue, which as I have stated earlier, delivers no margin to APA.
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Revenue increased across all pipelines, except the Moomba to Sydney Pipeline where revenue decreased by $3.8 million due to lower throughput.
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Our interest in Goldfields Gas Transmission pipeline is equity accounted, that is we report our share of the net profit after tax of our investment vehicle - SCP Investments Pty Limited.
The equity contribution is shown here and is highlighted in order that it is not confused with revenue. The performance of the underlying business of Goldfields Gas Transmission Pipeline

continues to improve. Revenue on the Goldfields Gas Transmission Pipeline increased by 7.7% to $85.6 million.

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SLIDE 6 – RESULTS IN SUMMARY

[EBITDA]

EBITDA for the period was $137.8million, an increase of 4.2% on last year's $132.2 million.

Pipeline operating and management expenses of $42.9 million were up $2.4 million, or 6 % over the previous corresponding period, due to increases in insurance costs and additional expenses associated with operation and management of new capital projects.

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[Depreciation and amortisation expenses]

Depreciation and amortisation expenses of $24.1 million were lower by $2.3 million (8.6%), 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.

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[Net interest and borrowing expense]

The net interest and borrowing expense of $48.6 million was $1.8 million higher than the pcp, due to the general increase in interest rates, higher borrowing to fund capital expansion projects, and the expiry of certain hedges which were at favourable rates.

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[Profit before Tax & Income Tax Expense]

Pre-Tax profit of $65.1 million was up $6million, 10.2% on the previous corresponding period.

The effective tax rate (ie. tax expense calculated as a percentage of pre-tax profit) of 36.5% is consistent with the pcp. The effective tax rate is higher than the corporate tax rate of 30% as a consequence of the non-deductibility for tax purposes of interest on infrastructure bonds and certain depreciation and amortisation charges.

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[Net Profit after Tax and Minorities]

Operating profit after tax and minorities of $41million was 10.6% higher than last year's $37.1 million.

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[Earnings per Unit]

Earnings per unit increased from 15.2 cents last year to 16.8 cents for the current year.

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In summary then, our performance in 2003 was strengthened by growth in pipeline revenue and the effective management of costs.

I am also pleased to report that performance for the first quarter of this year is in line with Budget.

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SLIDE 7 – RESULTS IN SUMMARY
Cash Flow Statement

The net cash flow from operating activities of $90.6 million increased by $5.5 million or 6.5% over the pcp. This is in line with the increase in earnings before interest, tax, deprecation and amortisation (EBITDA).

During the financial year, $41. million was invested in additions to plant and equipment and acquisitions. A further $52.5 million was paid in distributions to unitholders of APA.

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SLIDE 8 – RESULTS IN SUMMARY
Full Yr Distribution Maintained

Distributions paid or payable for the period totalled 21.5 cents per unit, which is consistent with the previous corresponding period.

The income component of the distributions has increased by 9.7% from 15.5 cents per unit in the previous corresponding period to 17.0 cents per unit, which reflects the higher earnings during the financial year. As previously indicated, APA is not expected to have significant franking credits until after 2004 financial year.

I remind unitholders that all cash amounts distributed to unitholders – whether income or capital – are covered by operating cash flow. Capital distribution is made from the free cash generated in excess of accounting profit from charges such as depreciation and amortisation.

You will note that the capital component has decreased this year as the profit component increased. The acquisition of new assets or projects may alter this trend.

I also remind unitholders that the trust is a publicly listed trading trust for tax purposes.

As such, distributions are treated in the same way as corporate dividends and should be included as assessable income when you receive the income and not in the year of income upon which the profits are derived.

The capital component of the distribution is tax deferred and is a reduction in the costbase of the units held.

Let me turn briefly to the year's operating highlights.

As unitholders will know, APA's major assets are natural gas transmission pipelines and an equity investment in Goldfields Gas Transmission.

During the year we invested $41million in increasing the throughput capacity of our existing assets and acquisitions.

The major matters of note which occurred during the past financial year were:

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SLIDE 9– OPERATIONAL REVIEW –

Moomba to Sydney

On the Moomba to Sydney Pipeline, which crosses several states, AGL has contracted new gas supplies post 2006. The majority of these new supplies are natural gas sourced from the Cooper-Eromanga Basin of South Australia and western Queensland, and coal bed methane from the Surat/Bowen basins of Queensland.

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SLIDE 10 OPERATING REVIEW –

Queensland

- Looping Stage 6 project from Goodna to Ellengrove in metropolitan Brisbane on the Roma-to-Brisbane pipeline was commissioned in October 2002.
- Innovative interruptible and firm haulage contracts with existing customers on the Roma to Brisbane Pipeline have been negotiated.
- December 2002, a compressor station was installed at Morney Tank, 250 kilometres north of Ballera on the Carpentaria Gas Pipeline to meet growing customer demand.

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SLIDE 11 – OPERATIONAL REVIEW –

Western Australia

In April 2003, APA increased its effective interest in the Goldfields Gas Transmission pipeline to 48.5%.

GGT is installing another compressor to meet load demands.

The Midwest Pipeline is running on reduced throughput due to the temporary shutdown of the Xstrata owned vanadium mine at Windimurra. The pipeline is likely to continue to run on reduced throughput with service to gold mining operations at Mt Magnet, through this financial year.

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SLIDE 12 CHANGES TO GOVERNANCE ARRANGEMENTS

I would now like to announce some changes to the governance arrangements which apply to our responsible entity – Australian Pipeline Limited.

The Board of Australian Pipeline Limited proposes to undertake changes to the governance arrangements which apply to Australian Pipeline Limited in its capacity as responsible entity of APA.

Currently, APA unitholders do not have any vote in the election of the directors of Australian Pipeline Limited. The proposed changes will result in unitholders effectively electing the directors of Australian Pipeline Limited, other than the two directors nominated by Australian Gas Light Company and the one director nominated by Petronas. The shareholders have agreed to procure the necessary changes to APL's Constitution.

These changes are intended to bring the governance arrangements for Australian Pipeline Limited and APA up to date with best practice for managed investment schemes and to enhance the rights of unitholders.

The Board of Australian Pipeline Limited has commenced discussions with its shareholders to determine the changes required to the constitution necessary to give effect to these principles.

I would now like to address the key issues facing APA in the coming years
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SLIDE 13 – STRATEGIC ISSUES

In your Board's view, there are several key issues before your business. APA has a number of challenges. Our major challenges in the coming years will be to diversify and grow the asset base, encourage the development of northern gas into the Moomba to Sydney Pipeline system and assist the Productivity Commission in understanding the need for a national gas regulatory regime which encourages the gas transmission industry while protecting the rights of consumers. None are easy or small tasks.

I intend to address our primary issues of asset growth and diversification and how APA intends to deal with them. Jim McDonald will speak to the need for a northern gas supply into south east Australia and the regulatory and commercial issues facing us over the next 12 months

SLIDE 14 STRATEGIC ISSUES (CONTD)
Diversifying and Growing our Asset Base

APA has a portfolio of dependable and low to moderate risk natural gas transmission pipeline assets spread over much of Australia.

By far and away the major contributor to pipeline revenue in APA is the Moomba to Sydney Pipeline system. APA currently relies on the Moomba to Sydney to provide 37% of total revenue. Gas is transported through the Moomba to Sydney pipeline under the Gas Transportation Deed (GTD) with AGL Wholesale Gas Limited (AGL).

The GTD was negotiated in an environment when full retail contestability was being introduced, and reflects conservative estimates of AGL's capacity and volume requirements for New South Wales and the Australian Capital Territory. Consequently AGL's contracted position reduces over the next few years until 2007, with a corresponding reduction in revenue.

While APA is exploring marketing opportunities to improve the contracted position, it is also looking to diversify its revenue base away from reliance on the MSP.

In that context, the development of the Queensland and Western Australian pipelines is important. Each year has seen a growth in revenue from these pipelines and opportunities exist to continue to expand these assets. However, APA still needs to acquire additional assets if it is to maintain the current trend in profit growth.

SLIDE 15 STRATEGIC ISSUES (CONTD)

Acquisition of New assets and minorities

It is interesting to consider that of the four main natural gas pipeline businesses in Australia, two are either up for sale or subject to significant speculation about a potential sale. A formal sale process has commenced for Epic Energy's assets.

APA is intends to lodge bids for the Epic Energy assets after completion of due diligence.

Duke Energy's pipeline assets are rumoured to be for sale.

Similarly, there are a number of reports that minority interests in the Goldfields Gas Transmission pipeline are also intending to sell out.

APA is interested in bidding for all of these assets, but will only do so at a sensible price.

APA intends to remain the leading gas transmission pipeline business in Australia and is well-positioned to actively pursue quality assets as they become available – but at the right price.

SLIDE 16 STRATEGIC ISSUES (CONTD)

Improving APA's ability to raise equity

As part of preparation for an asset purchase process, APA has introduced minor amendments to its Constitution which will provide it with additional flexibility to raise new equity.

You have already seen the distribution reinvestment plan which APA introduced in August 2003. Under this plan all unitholders can choose to reinvest any portion or all of their distributions in additional units in APA.

As an introductory offer, the new units were issued at a 2.5% discount to market. No brokerage or other fees are payable so it is an efficient and easy way for unitholders to increase their holdings. APA also included an additional mechanism in its Constitution to enable it to issue new units at a price determined under a bookbuild. A bookbuild is a process under which institutions and sophisticated investors lodge bids to participate in a large scale capital raising.

The bookbuild must be conducted by a reputable and experienced merchant bank and an auditor must certify the bookbuild was conducted in accordance with normal market practice and produced a fair market price.

The new units may be issued to professional investors through a placement as well as to existing unitholders and the public through a prospectus or Product Disclosure Statement. These new provisions provide APA with a more efficient way to undertake large equity raising.

As the slide demonstrates, this flexibility allows APA to choose the most appropriate combination of options when a major equity raising is required.

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SLIDE 17 STRATEGIC ISSUES (CONTD)

Complementary Assets

As well as considering core business assets, APA is reviewing opportunities in industries complementary to the gas transmission pipeline business. Power generation assets and gas production infrastructure facilities are areas we are currently considering.

Other fluid systems such as water or oil pipelines will also form part of our diversification strategy as the opportunities arise.

In some, for example power generation, we may wish to invest through partnerships with those who possess the requisite skills to manage and operate the facility.

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SLIDE 18 GAS SUPPLY TO SOUTH EAST AUSTRALIA

The second issue, as discussed at last year's Meeting, remains the need for additional gas supplies for southern and eastern Australia.

While Jim will address this issue in detail, I would like to make several observations. There has been some discussion about whether there are adequate sources of natural gas to meet Australian and, in particular, south east Australian demands in the coming decades.

Natural gas as a resource abounds in great quantities to the north and west of Australia – and may continue to be found within the established gas producing basins. Bringing those gas supplies to market requires large capital commitments, long pay-back periods and sufficient foundation loads to underpin the project economics.

The real debate seems obvious – “Do we have the necessary drivers to entice business to bring these new sources of gas to Australian markets so that end consumers will have better-priced natural gas?”

We believe that is the real debate we should be having. The questions you, as consumers should be asking are, “Why isn’t there more gas producer on gas producer competition?” Why are there not appropriate settings in place to enable businesses to risk large capital commitments in bringing new gas supplies to established and new markets? And why don’t we have a national energy policy with a workable regulatory regime in place?

Addressing these questions and putting in place appropriate settings and regulatory regimes will provide us with the confidence to bring new gas to market.

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SLIDE 19 REGULATORY REVIEW

It is not intended to re-visit the gas industry concerns about the current regulatory regime in much detail today. We are disappointed by the recent ACCC final decision on our Moomba to

Sydney Pipeline. Jim McDonald will address the decision and its impacts on APA in more detail. It is worth noting that the decision is another in a long line from the ACCC which ignores the commercial realities of the natural gas transmission industry and appears to penalise it.

The whole issue of coverage of the Moomba to Sydney Pipeline remains up in the air, with a decision by the Minister on whether to revoke expected shortly. Jim will also address this.

More important is the review of the National Gas Access Code by the Productivity Commission.

It is pleasing to see that the Commission is now undertaking the review of the National Gas Access Code with a final report due for release in June 2004.

It is clear that the regulatory system requires overhaul. As noted in the Annual Report, it is unacceptable that industry is paying out millions of dollars each year in meeting regulatory requirements, rather than investing these funds into providing a cleaner, competitively priced alternative fuel to traditional choices such as coal. If Australia is to produce a national energy policy with natural gas as part of the energy mix, it desperately needs a regulatory environment which encourages the development of the gas industry rather than hampers it.

While it is likely that there are a number of factors concerning the movement of overseas investors away from the Australian natural gas industry, it is clear that the regulatory regime in place has, in no small part, contributed to their decision to exit.

Jim McDonald will cover these regulatory issues in more detail.
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SLIDE 20 – AUSTRALIA'S LEADING TRANSPORTER OF NATURAL GAS.

These then are the issues facing APA and our industry. It is a time of great opportunity for APA. It is our intention to continue to be the leading transporter of natural gas in Australia and that will require acquiring new assets and developing our existing ones.

We will need to seek to influence government policy on natural gas industry regulation and the appropriate settings to continue to develop our industry.

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In handing over to Jim, I would like to take the opportunity to thank the Board for their diligence, Jim and his management team for

their efforts this year, and to thank you, our unitholders, for your continued and loyal support.
Would you please welcome Jim McDonald.

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SLIDE 21 – JIM MCDONALD MANAGING DIRECTOR

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<u>AFTER JIM MCDONALD Finishes -back to GEORGE BENNETT's Speech</u>

SLIDE 34 – WE DELIVER – www.pipelinetrust.com.au

Thank you for that interesting and informative presentation Jim.
This year holds tremendous challenges for the business.
We look forward to keeping you updated on your business's performance through our newsletters and information meetings.

Let me now open up the meeting to questions from our unitholders.
Would you please raise your hands if you have a questions to ask.
When given a microphone, would you please state your name and whether you are a unitholder.

Thank you again for attending and participating.
The formal part of the meeting has now been completed.

I declare that the meeting is closed and invite you to join the directors, our management team and staff for light refreshments in the arcade outside this room.

[THE END]

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