

Annual Report 2001

Annual Financial Report

Australian
Pipeline Trust

ARSN 091 678 778



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Invitation to a Unitholder General Meeting


A Unitholder General Meeting will be held in the Hotel Inter-Continental, Macquarie Street, Sydney, on Wednesday 24 October 2001 at 10.30am. Invitations have been sent with this report to all Unitholders.

Report

This report is in respect of our first financial year covering the period from 17 March 2000 to 30 June 2001 (the period).

Australian Pipeline Limited ("APL") as responsible entity for Australian Pipeline Trust ("APA") has determined that it will hold a general meeting to discuss its annual results and strategy on 24 October 2001, at the Hotel Inter-Continental, Macquarie Street, Sydney at 10.30 am.

The annual financial accounts for period ended 30 June 2001, will be presented for discussion and questions may be asked from the floor, but there is no requirement to have the financial accounts accepted by the Unitholders. A presentation will be made outlining the opportunities and challenges for APA in the next few years.

A landscape photograph of a dry, arid region. The foreground is a mix of brown and orange soil with sparse, low-lying green and grey shrubs. In the middle ground, there are several larger, dark green trees. The background shows a clear, bright blue sky. The overall scene is a typical Australian outback landscape.

“ Our goal is simple.
Australian Pipeline Trust aims to be
recognised as the leading transporter
of natural gas in Australia.
We are well on the way.”

– Jim McDonald, CEO of Australian Pipeline Trust

Review of Operations 01



Gas throughput and revenues will benefit from a number of recent APA initiatives. In the previous period, APA has:

- Achieved a solid financial performance;
- Commenced projects in Queensland as part of the development of a pipeline system to bring coal seam methane from the Peat and Scotia fields into Brisbane, including the looping of the Roma-to-Brisbane Pipeline and the construction of 125km of lateral pipelines;
- Acquired the minority 15 per cent interest in the Roma-to-Brisbane Pipeline from APA's then joint-venture partner, Interstate RBP Pipelines Pty Ltd;



- Fast-tracked agreements to deliver gas to CS Energy for a planned 385-megawatt, gas-fired, combined-cycle electricity generation plant at Swanbank, near Brisbane; and
- Built a 15km lateral to a power station at Mt Magnet from the Mid West Pipeline in Western Australia.

The above projects complement long-term strategies to increase value for APA stakeholders, including the development of a strategy to connect the gas transmission pipeline systems supplying the Northern Territory, Queensland, South Australia, NSW and Victoria, accessing additional gas supplies such as the Timor Sea and PNG Gas projects.

Natural Gas is a growth Industry

The Australian Bureau of Agricultural Resources and Economics ("ABARE") predicts that natural gas consumption in Australia will account for 28% of primary energy by 2015, up from the current level of 18%.

The need for a firm energy policy

The removal of accelerated depreciation for infrastructure such as natural gas pipelines has highlighted the need for a predictable fiscal regime to provide certainty in the planning of pipeline infrastructure in Australia.

CoAG's (Council of Australia Governments) Council on Energy initiative, should provide new energy policy direction for natural gas the fuel, and provide a refinement of the regulatory environment for transmission pipelines to encourage investment in major new projects.

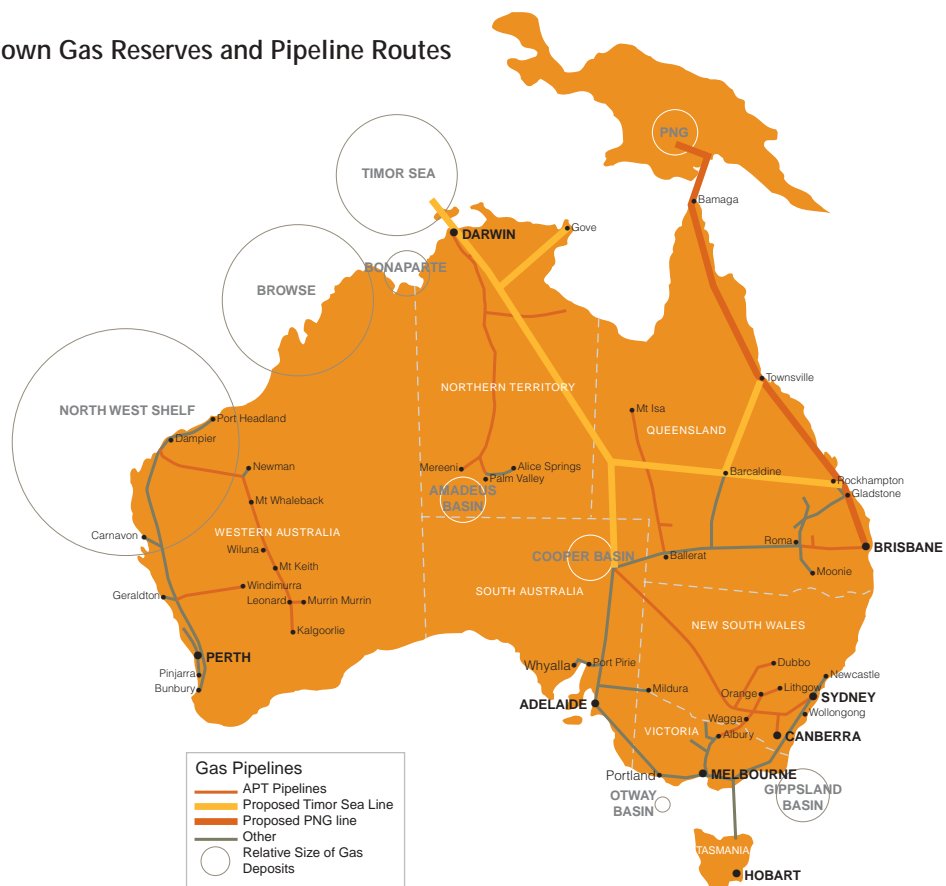
Natural gas is the environmentally friendly fossil fuel

Greenhouse gas abatement measures are critical for the planet's health. Natural gas is an environmentally friendly fuel and its use should be encouraged.

South-East Australia needs additional gas supplies

South-East Australia will experience a shortfall in gas supplies by the end of the decade. Additional gas supplies are required if natural gas is to realise the potential predicted by ABARE.

Known Gas Reserves and Pipeline Routes



APA is Australia's leading natural gas transmission business

No issue has emerged that has significantly affected, or may affect, the operations or results of the business in the short- or long-term.

The principal activity of APA during the financial year was the ownership of gas transmission pipelines located throughout Australia. APA has interests in about 7,000km of pipelines, which transport about 25% of Australia's annual natural gas consumption.

APA has facilitated transportation of gas and related services to producers, consumers, and aggregators of gas through these transmission pipelines.

Financials

APA's first year of business as a listed entity produced results that exceeded forecasts in the Offer Document of 5 May 2000.

The net equity raised at the initial public offering in June, 2000, together with initial borrowings, totalled \$1.2 billion. These funds were applied to the purchase of controlled entities (\$351.6 million) and the repayment of existing borrowings of those entities (\$864.4 million).

APA's total revenue for the financial period was \$263.2 million, which was \$5.3 million or 2.1% above the Offer Document forecast. When total revenues are adjusted to exclude Other Pipeline Revenue, which is in the nature of passthrough revenue (which delivers no margin to APA), actual pipeline revenue growth was 4%.

The operating profit after tax and minorities was \$33 million, an increase of \$7.5 million or 29.4% over that forecast in the Offer Document.

Net cash provided by operating activities during the financial year was \$112.8 million. This was applied to pipeline expansions (\$53 million), including the acquisition of the 15% minority interest in the Roma-to-Brisbane Pipeline, cash distributions (\$39 million), and net debt repayments (\$5 million). APA had about \$12 million in cash at the end of the period.

During the financial period, APA distributed 16 cents per unit, representing 7.9 cents per unit of income, 45% franked at the 34 per cent corporate rate of income tax, and 8.1 cents per unit as a return of capital. With the proposed 6.0 cents per unit distribution, comprising an unfranked income distribution of 5.0 cents per unit and a capital distribution of 1.0 cent per unit, as reflected in the financial statements, the overall cash distribution in respect of the financial period is 22.0 cents per unit.

APA's key financial data for the financial period

Category	Financial report actual \$m	Offer document forecast \$m	Change (%)
Pipeline revenue	247.9	245.1	+1.1%
EBITDA	134.5	128.1	+5.0%
EBIT	109.4	102.5	+6.7%
Pre tax profit	57	46.9	+21.5%
Income tax expense	23.8	21.4	+11.2%
Operating profit after tax	33.0	25.5	+29.4%
Earnings per unit (cents)	13.5	10.5	+28.6%

Operations continued

Groundwork

The pipeline industry revolves around long-lived assets with substantial up-front capital costs. The gestation period of major projects can be considerable.

Over the past year, APA management has directed its efforts into laying the groundwork for future pipeline activities. We have stated positions in the two largest proposed natural gas infrastructure projects, the Timor Sea and PNG gas projects. APA intends to facilitate pipeline construction to serve the ever-expanding natural gas market, and with its national footprint it is ideally positioned to play a pivotal role in either or both of these planned major constructions. Management efforts over the period has advanced this goal.

Pipelines

APA's activities for the period have been based on growth from three sources:

- organic growth which is the carriage of additional gas within the existing pipelines and the progressive enhancement of capacity and introduction of new gas supplies into these pipelines;
- acquisition of interests in pipelines owned by others (including minority interests in jointly held pipelines); and
- major new transmission pipelines to service the increasing demand for gas and the consequent development of new producing fields.

In view of these opportunities, APA has structured its operations to ensure the continued efficiency and quality of its impressive portfolio of pipeline interests. These activities complement APA's existing portfolio of pipelines.

In NSW, the Moomba to Sydney Pipeline system links the Cooper Basin gas fields at Moomba with the receiving terminals at Wilton (south west of Sydney), Canberra, and other major cities and towns throughout NSW.

Revenue from the pipeline is underpinned by a long-term contract with The Australian Gas Light Company (AGL) that provides a predictable revenue stream until 2006 and a measure of certainty to 2016.

In Queensland, contracts with major gas producers guarantee the revenue of the Roma-to-Brisbane Pipeline. This revenue is substantially insulated against tariff reviews until 2006.

The Carpentaria Pipeline in Queensland transports gas from Ballera to Mt Isa, supplying gas to the Mica Creek power station, WMC's fertiliser plant at Phosphate Hill and the BHP mine at Cannington. The revenue from this pipeline is insulated against tariff reviews until 2023. The Carpentaria Pipeline services the resource-rich Northwest minerals province of Queensland.

In Western Australia, the Goldfields Gas Pipeline (of which APA owns 45% through its investment in the Southern Cross Pipelines companies) transports gas to industrial and power generation customers in the Pilbara and Goldfields mining regions. The Goldfields Gas Pipeline has long-term contracts in place with major mining companies such as WMC, Normandy and BHP Minerals.

The Mid West Pipeline (of which APA owns 50%) transports gas from the Dampier to Bunbury Pipeline near Geraldton to power generating and mining process consumers in the Windimurra region.

In the Northern Territory, APA's principal interests are held through a 96% interest in the Amadeus Gas Trust and 100% ownership of two laterals. NT Gas Pty Limited as trustee, (a wholly owned by APA) manages and operates the pipeline, which is leased by the Amadeus Gas Trust from a consortium of financial institutions.

Regulations

Discussions and submissions to governments and regulators regarding the impact of the regulation gas transmission pipelines continue to have a significant impact on APA's resources.

East Australian Pipeline Limited (a wholly subsidiary of APA) has elected to pursue revocation of regulatory coverage over the Moomba to Sydney pipeline system following the Australian Competition Tribunal decision to revoke regulatory coverage over the competing Eastern Gas Pipeline, owned by Duke Energy.

A Federal Government initiated review of the impact of regulation on the Pipeline Industry will commence following the current review of Part III A of the Trade Practices Act. APA will contribute to that review.

Environment

The operation, construction and maintenance of APA's pipeline assets is conducted subject to various Commonwealth, state and territory environmental legislation.

Ongoing monitoring of compliance is achieved through environmental audit performed by an accredited external auditor. No breaches were reported during the financial period.

A great pedigree

- APA is an industry leader in gas transmission infrastructure. In June 2000, it acquired most of AGL's Australian gas transmission assets, giving APA an interest in more than 7,000km of pipelines and a 25% share of Australia's natural gas transmission market.
- APA was listed on the Australian Stock Exchange on 13 June 2000. The initial public offer was made at \$2.00 per unit, with 60% of the 244 million units being set aside for the public.
- AGL provides management, technical and marketing services to APA under the Pipeline Management Agreement (PMA).
- APA and AGL share pipeline development opportunities through the Pipeline Development Agreement (PDA).

Chairman's Report



George H Bennett
Chairman

APA has made good progress in its first financial period, fulfilling the promise of the Offer Document which forecast solid growth in a strong industry.

Welcome to APA's first annual report.

I am pleased to announce that APA's performance exceeded Offer Documents forecasts.

With good management and the increasing utilisation of natural gas, I believe solid growth is sustainable.

Industry trends support our confidence. Natural gas is increasingly being used to power and heat Australian homes, businesses and industry. New gas transmission pipelines are being built and more gas is being carried in those pipelines. Natural gas is now beginning to fulfil its promise for power generation. In addition, the community recognises the contribution that natural gas can make to a better environment.

Challenges confront APA and the industry as a whole, but I remain confident and committed to the sector and our stakeholders.

Our first period of business justifies that optimism and provides the foundation for further growth.

Thank you for your continuing support.



Jim McDonald
Chief Executive Officer

The first year of a new business venture should produce expectations, challenges and rewards. So it has been over our first period as we consolidate our position as Australia's leading natural gas transmission business.

Rock Solid

Sound growth and better-than-forecast profits mark the first year of APA's operations. Our results are encouraging given we have been operating in a slowing economy. Higher transport revenue across all our major pipelines and savings in operating expenses and interests contributed to the strong results.

We are proud of both the results and the work ethic of our people.

The crucial tasks – and these have been achieved – were to bed down APA's operations, establish management systems, fine-tune arrangements between APA and its contractors, and ensure new staff and the Board quickly grasped the nature of the business while bonding as a working unit.

The business has continued to grow. APA has established its identity and we now move forward as Australia's leading gas transmission business.

In these volatile times, the business of gas transmission is fundamentally sound and secure. Reflecting this, APA is a rock-solid business in a sound sector of the economy.

I am confident that APA profit and growth targets for future years will be met or bettered.

A smooth transition

APA is a new entity with an established pedigree. Because the business existed within AGL before the formation of APA, it had strong cash flow and an established customer base from day one. The transfer of ownership from AGL to APA and the implementation of new management procedures was challenging, but orderly.

The task now is to further develop the business and to rely upon the systems we have put in place to function with minimal surveillance and maintenance.

One of the underlying advantages of the gas transmission business is that revenues are predictable. We have a diversified portfolio of pipeline assets, with a balance between mature pipelines and recently completed greenfields projects.

Setting realistic goals

Our primary goal is to ensure that we take advantage of every opportunity to fill the existing pipeline system. The next gigajoule of gas that we carry in the existing pipelines has a very low incremental transmission cost.

Strong foundations

- APA hauls 25% of the natural gas carried in Australia.
- APA's portfolio boasts a mix of established and greenfields pipelines that give rise to new opportunities throughout Australia.
- APA has assets presence in each state and territory excepting Victoria and Tasmania. It has interests in six major pipelines and a number of smaller pipelines, laterals and interconnections.
- APA's pipelines serve the high-growth sectors of the Australian natural gas market, including power generation, and industrial and commercial consumers.

Our secondary goal is to continue to explore opportunities for the acquisition of pipelines held by others. There are significant opportunities for expansion to reinforce APA's position as Australia's leading transporter of natural gas.

An industry shakeout is occurring, but the key is to make prudent investment decisions. APA aims to secure profit-generating acquisitions that fit our vision for the future benefit of the business and its stakeholders.

For the future, the major task is to ensure that we participate in the development of additional gas transmission assets as south-east Australian reserves continue to decline. This decline provides the opportunity to haul Timor Sea or Papua New Guinea gas to supplement Australia's increasing demand for natural gas. We have announced a staged development to build a 4,500km pipeline bringing Timor Sea gas to south-east Australia. This major project involves delivering Timor gas south and east into the Queensland, NSW and South Australian markets using the Cooper Basin fields as a distribution hub. Use of those fields will be facilitated by Santos and its partners in a spirit of unprecedented cooperation in Australia's gas industry.

Management continues to focus on shareholder value.

In the pursuit of our goals, we are mindful of the immediate needs of APA but also its longer term interests.

We look to Government to ensure that the appropriate incentives are in place and disincentives removed to enable such major infrastructure projects to proceed.

To this end, APA has joined industry associations such as the Australian Pipeline Industry Association and the Australian Gas Association and the Australian Council for Infrastructure Development in calling for a review of natural gas energy policy, tariff regulation and approvals processes.

A greener future

The uptake of natural gas as an energy source is strengthening. We are encouraged by the Queensland Government's commitment that 15% of its electricity will be generated from natural gas or renewable fuels. The decision represents progressive thinking and is a benchmark for other governments.

At the same time, there is an apparent weakening in the world's commitment to greenhouse gas abatement.

In the switch from heavy-polluting fuels to renewables, natural gas can play a vital role as a transition fuel. Positive action by governments around the globe is required.

It is worth noting the carbon dioxide emission levels of various sources of electricity production. Emissions from burning brown coal on a whole-of-life basis are about 1300 grams of carbon dioxide per kilowatt. Compare this with natural gas and its emission rate of less than 250 grams of carbon dioxide per kilowatt. The numbers provide compelling evidence to encourage greener energy sources. Natural gas is one of the cleanest-burning fossil fuels and is far less environmentally damaging than coal.

The level of carbon emission is the issue that political and business leaders must address.

Encouraging trends

ABARE predicts that natural gas consumption will account for 28% of primary energy by 2015, which will provide a much larger market for natural gas and substantial opportunities for APA and its stakeholders.

Complementing this industry growth is APA's reputation as a secure and reliable owner and operator of natural gas pipelines. Our pipelines are very good pipelines in very good locations.

Volume growth is likely to result from a number of initiatives:-

- innovative marketing of natural gas in major growth markets such as power generation;
- fostering relationships with other sections of industry to create new transmission opportunities such as interconnections and spur lines to stimulate competition;
- cultivating relationships with other parties offering complementary services; and
- developing greenfields pipeline projects to bring new gas supplies to market.

Business as usual

In summary, APA's strong first year of business has increased its faith in the gas transmission industry and the significant role that APA can play within it.

Stakeholders in APA can draw confidence from the stability and certainty of the gas transmission business and the reliable cash flow that it offers.

Our task is a simple one: we haul gas from point to point at tariff, and we do that in the interests of our customers and our stakeholders. If we maintain the correct balance, attractive yields will follow and the business will prosper.

APA thanks its stakeholders for investing in the business and entrusting us with their investment.

The Directors of Australian Pipeline Limited ("the responsible entity") are responsible for the corporate governance practices of Australian Pipeline Trust ("the Trust") and its controlled entities (together "the consolidated entity"). This statement sets out the main corporate governance practices that were in operation throughout the financial period.

Duties of the Responsible Entity

The primary duties and obligations of the responsible entity include:

- Exercising its powers and performing its functions under the Trust Constitution dated 18 Feb 2000, as amended, diligently and in the best interest of the Unitholders; and
- Ensuring that the Trust is carried on and conducted in a proper and efficient manner.

The responsible entity fulfils its primary responsibilities through the operation of a highly qualified Board of Directors, professional executive management and an internal control framework.

The Board of Directors

The Board of Australian Pipeline Limited is accountable to Unitholders for the business and affairs of the Consolidated Entity. Specifically, the Board sets the strategic direction of the consolidated entity, establishes goals for management, reviews the performance of the Chief Executive Officer and senior executives, and ensures that Unitholders' funds are prudently safeguarded.

The Directors of the responsible entity are under a fiduciary duty to the Unitholders to act in the Unitholders' best interests in decisions affecting the Trust when they are voting as a member of the responsible entity's Board.

The responsibility for implementing the strategic direction and the day to day affairs of the consolidated entity is delegated to the Chief Executive Officer.

The Board is supported by several committees comprising its members. The main continuing committees are the Remuneration Committee and the Audit Committee.



Composition of the Board

The Board of Australian Pipeline Limited as the responsible entity of the Australian Pipeline Trust consists of six directors. The Chairman of the Board is a non-executive Director and the Directors possess a broad range of skills, qualifications and experience. All six Directors are non-executive Directors. Ng Chong Wah was appointed as an alternate director to Muri Muhammad. The names of the Directors and their attendance at meetings during the financial period is set out in the Directors' Report.

Non-executive Directors are remunerated by fees determined by the Board. External professional advice is sought to benchmark Directors' fees are benchmarked with fees paid to directors of other similar corporations.

Further details of Directors' remuneration and superannuation benefits are set out in the Directors' Report .

Risk Management

A system of internal controls in relation to the operations of the Trust, is set out in the Trust's Compliance Plan. The Compliance Plan provides a system of regular reporting on the financial and operational systems of the Trust and the responsible entity to the Board of Directors.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, and the employment and training of suitability qualified and experienced personnel.

External Auditor

Pursuant to the Trust's Constitution, the responsible entity is required to appoint an auditor for the Trust for the purposes of auditing the reports required under the Trust's Constitution and the Corporations Act 2001. The Audit Committee of the responsible entity monitors the adequacy of the external audit arrangements to ensure that they comply with the requirements of the Trust's Constitution and the Corporations Act 2001.

Corporate Governance Continued

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following non-executive Directors:

- Mr G H Bennett (Chairman)
- Mr L J Fisk
- Mr M Muhammad.

The primary functions of the Committee are to:

- Review and recommend to the Board of the responsible entity, the remuneration of the Directors of the responsible entity.
- Review and recommend to the Board of the responsible entity, the remuneration of the Chief Executive Officer and his/her direct reports.
- Develop and recommend to the Board of the responsible entity, the remuneration policy for the executives of the consolidated entity.
- Review and recommend to the Board of the responsible entity, proposals for the issue of units to staff.
- Review and recommend to the Board of the responsible entity, proposals for executive share plans and other long-term incentive programmes.
- Review and recommend to the Board of the responsible entity, proposals for other reward initiatives including incentive plans for the Chief Executive Officer, executives and other staff of the consolidated entity.
- Review and recommend to the Board of the responsible entity, recommendations for new superannuation plans or amendments to existing superannuation plans.
- Review periodically the succession plans for the Chief Executive Officer, his/her direct reports and other positions considered to be of corporate significance.
- Review and recommend to the Board of the responsible entity, employment contracts and letters of appointment in accordance with policy and prevailing industrial relations legislation.
- Keep abreast of all human resource policy initiatives affecting the basis and nature of all employees' relationships with the consolidated entity.
- Perform other duties as directed by the Board of the responsible entity from time to time.

The Committee may seek independent advice on any matter brought to the Committee's attention.

Audit Committee

The Board has established an Audit Committee consisting of three non-executive Directors. During the year, four meetings of the Committee were held. Minutes of the Committee meetings are available to be reviewed by the Board from the meeting immediately following the Audit Committee meeting date. The current members of the Audit Committee are:

- Mr R J Wright (Chairman)
- Mr J A Fletcher
- Mr T C Ford.

The responsibilities of the Audit Committee are to:

- Recommend to the Board of the responsible entity the appointment of the external auditor and its fees;
- Review and recommend to the Board of the responsible entity, the audit plan of the external auditor;
- Review and recommend to the Board of the responsible entity, the performance of the external auditor;
- Evaluate the effectiveness of the internal review processes through review of regular compliance reports and meetings with the relevant Responsible Officers;
- Review and recommend to the Board of the responsible entity, the management letters from the external auditor and management's responses;

- Determine that no restrictions are being placed upon either the internal review processes or external audit provider;
- Evaluate the adequacy and effectiveness of the reporting and accounting controls of the consolidated entity through active communication with operating management and the external auditor;
- Review and recommend to the Board of the responsible entity, acceptance of the financial reports to be made to the Unitholders and/or the public prior to their release;
- Evaluate the consolidated entity's exposure to business risks;
- Monitor the standard of corporate conduct in areas such as arms-length dealings and likely conflict of interest;
- Review reports from management, the compliance service provider and/or the external auditor on any significant regulatory, accounting or reporting development to assess potential financial reporting issues;
- Review and approve all significant accounting policy changes;
- Review the consolidated entity's taxation position;
- Review the half-yearly and annual financial statements and recommend acceptance to the Board;
- Perform other duties as directed by the Board of the responsible entity, from time to time.

Unitholder Reporting

The responsible entity aims to ensure that the Unitholders are informed of all major developments affecting the Trust's state of affairs. Information is communicated to Unitholders as follows:

- Annual financial reports;
- Unitholder newsletters;
- Unitholder general meetings; and
- ASX releases in compliance with continuous disclosure.

Unitholder Meetings

Because the Trust is a registered Managed Investment Scheme ("MIS") under the Managed Investments Schemes Act (1998) rather than a listed public company, particular Corporations Act 2001 provisions apply to determine the rules for holding meetings. The Trust, as a MIS, is not obliged to hold an annual meeting unless required to do so by its constitution, or as required by Unitholders under Part 2G.4 of the Corporations Act 2001. The constitution of the Trust does not require an annual general meeting to be held, but allows the responsible entity to convene a meeting at any time.

The Trust does not have a Board of Directors, rather there is a responsible entity which has the power to call meetings of the Trust's Unitholders and the responsibility to act at all times in the interests of Unitholders. Appointments and removal of the Directors of the responsible entity is a matter for shareholders of the responsible entity rather than the Unitholders of the Trust.

The Trust will hold a general meeting to discuss annual results and general strategy on Wednesday 24 October 2001 at the Hotel Inter-Continental Sydney at 10.30am.

The responsible entity encourages full participation of Unitholders at the meeting to enable a high level of understanding and identification with the Trust's strategy and goals.

No resolutions are intended to be put to the meeting, because as a MIS, the Trust is not obliged to seek Unitholders' approval for the annual financial reports, appointment of auditors or determination of final distribution in respect of the financial period.

Independent Professional Advice

With the prior approval of the Chairman, Directors have the right to seek independent legal and other professional advice at the Trust's expense concerning any aspect of the Trust's operation or undertakings in order to fulfil their duties and responsibilities as Directors.

Continuous Disclosure

A continuous disclosure regime operates within the Trust in accordance with Australian Stock Exchange Listing Rule 3.

Management Team

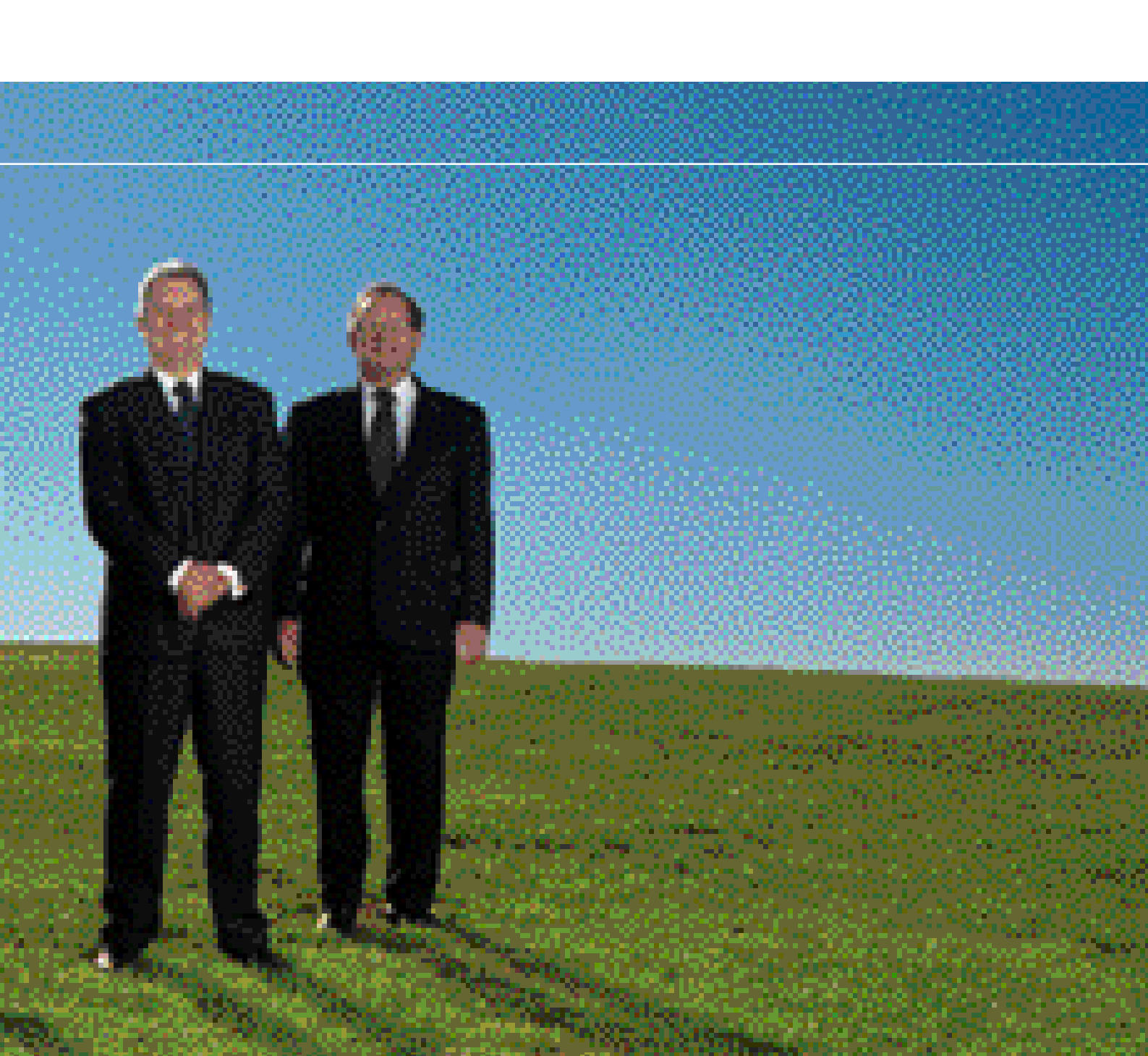


Ian H Haddow BE, GradDipAdmin General Manager, Technical
Mr Haddow is responsible for all aspects of operations, engineering and development of the assets of APA. Specifically, Mr Haddow oversees the activities of AGL under the terms of the Pipeline Management Agreement in technical management, operations and engineering. Mr Haddow has over 20 years experience in operations management and engineering roles in the pipeline industry. Mr Haddow is chairman of the Australian Standards Committee responsible for the development of Australian Standard AS2885.

Michael J McCormack General Manager Commercial
BSurv, GradDipEng, MBA
Mr McCormack is responsible for marketing, contract management, regulatory affairs and acquisitions. Mr McCormack has extensive management experience in all aspects of the gas transmission business, including operations and project development and dealing with the Australian gas pipeline regulatory environment. Mr McCormack was responsible for the preparation of Access Arrangements for AGL's pipelines under the National Gas Access Code for Third Party Pipelines.

Austin JV James LLB Company Secretary/
General Manager Corporate
Mr James is responsible for the management of corporate services functions including public and unitholder relations, legal services, and administration, and is also the Secretary of APA and its controlled entities. Mr James has substantial experience in corporate, legal and regulatory roles.

James K McDonald FAICD Chief Executive Officer
Mr McDonald carries overall responsibility for the management team. Mr McDonald has extensive experience in general management in the gas transmission industry. Prior to joining APA, his most recent role was Divisional General Manager Pipelines where he was responsible for AGL's Pipeline Operations in Australia. Prior to his roles with AGL, Mr McDonald spent 15 years with Esso Australia's Gippsland Production Group, including several years in senior management positions. Mr McDonald is Vice President of the Australian Pipeline Industry Association, a member of the Pipeline Owners Committee of that Association, and past Chairman of the Environmental Affairs Committee of that Association. He is a member of the Board of the Australian Council for Infrastructure Development.



**Graeme N Williams CPA
Chief Financial Officer**
Mr Williams is responsible for the financial management of APA. This includes accounting, treasury and taxation functions. Mr Williams has over 30 years accounting experience including 11 years in public accounting. Prior to joining APA, Mr Williams was Chief Financial Officer and Executive Director of Lucent Technologies Australia Pty Limited and had spent eight years as Chief Financial Officer and Company Secretary of JNA Telecommunications Limited.

**Kevin F Dixon BE (Elec) FIEAust
General Manager, Strategic Planning**
Mr Dixon is responsible for developing medium and long term strategies of APA to ensure it remains the leading natural gas transmission business in Australia. He has had various management and board roles in the energy industry including over 20 years with Esso Australia Limited. His most recent assignments include Coal Marketing and Corporate Affairs with Exxon Coal and Minerals Australia Pty Limited.



Annual Financial Report

for the Financial Period 17 March 2000 to 30 June 2001

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Directors' Report

The Directors of Australian Pipeline Limited ("the responsible entity") submit herewith the annual financial report of Australian Pipeline Trust ("the Trust") and its controlled entities ("hereafter referred to as the consolidated entity") for the financial period 17 March 2000 to 30 June 2001. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors of the responsible entity during or since the end of the financial period:



Mr G H Bennett FCA
Independent Chairman
Appointed 11 February 2000

Mr George Bennett is a company director with almost 40 years experience at accounting services firm KPMG. Mr Bennett retired as National Executive Chairman of KPMG and Chairman of the KPMG Asia Pacific Board in 1993. His other directorships include Bank of Tokyo-Mitsubishi (Australia) Limited, Brazin Limited, Fantastic Furniture Holdings Limited, Macquarie Leisure Management Limited, Macquarie Property Management Limited and sanity.com Ltd. Mr Bennett is also the Chairman of the Remuneration Committee.

Mr L J Fisk FAICD, FCICS, FCPA
Non-Executive Director
Appointed 11 February 2000

Mr Les Fisk is Group General Manager Corporate Services and Company Secretary with AGL. He was appointed to this position in 1997, having joined AGL as Company Secretary in 1995. Prior to joining AGL, Mr Fisk had a 25 year career with Qantas Airways Limited, culminating in the position of Director of Corporate Services and Company Secretary. Mr Fisk is a director of Elgas Limited. Mr Fisk is a Fellow of the Chartered Institute of Company Secretaries, a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors. Mr Fisk is a member of the Remuneration Committee.

Mr J A Fletcher BSc, MBA
Non-Executive Director
Appointed 11 February 2000

Mr John Fletcher is Group General Manager Finance with AGL. He has held this position since 1997, prior to which he held a number of senior positions including Group Manager Finance, Group Controller and Treasurer. Mr Fletcher joined AGL in 1979 having previously worked in South Africa and England in various capacities. Mr Fletcher is a director of Elgas Limited and Natural Gas Corporation Holdings Limited. Mr Fletcher is a member of the Audit Committee.

Mr T C Ford FAICD
Independent Non-Executive Director
Appointed 11 February 2000

Mr Tom Ford is an investment banker and consultant, with over 30 years' experience in stockbroking and banking. Mr Ford is Chairman of RESIMAC Limited. He is also a director of Amalgamated Holdings Limited and Integral Treasury Holdings Pty Limited. Mr Ford is a former director of Credit Union Financial Services (Australia) Limited. Mr Ford is a Fellow of the Australian Institute of Company Directors, a member of Finance and Treasury Association Limited and on the committee of Australian Business Economists. Mr Ford retired in 1991 as a Senior Executive Director of Capel Court Corporation Limited and as an Executive Director of Capel Court Securities Limited. Mr Ford is a member of the Audit Committee.



Mr M Muhammad MSc
Non-Executive Director.
Appointed 8 March 2000

Mr Muri Muhammad is Vice President, Gas Business of Petronas. He brings to the responsible entity, 30 years experience in the chemicals and petroleum industry as well as expertise in the domestic and international gas transmission and distribution, gas utilisation, cogeneration and conversion businesses where he has held various senior executive positions. Mr Muri Muhammad sits on the boards of several of Petronas' domestic and international subsidiaries and associated companies. Currently, he is Chairman of Petronas' group of companies involved in cogeneration and compressed gas for transportation. Mr Muri Muhammad is a member of the Remuneration Committee.

Mr R J Wright BComm, FCPA
Independent Non-Executive Director.
Appointed 11 February 2000

Mr Robert Wright has 30 years financial management experience. He has held a number of Chief Financial Officer positions including Finance Director of David Jones Limited from 1990 to 1999. Between 1991 and 1995, he was also an Executive Director of The Adelaide Steamship Company Limited, and was a director of Tooth & Co Limited, Industrial Equity Limited, Woolworths Limited and National Consolidated Limited. Mr Wright is the Chairman of the Audit Committee.

Mr Ng Chong Wah BE
Alternate Non-Executive Director for M Muhammad
Appointed 8 August 2000

Mr Ng Chong Wah graduated in Chemical Engineering from University of Malaya, Malaysia. He worked as a Technical Services Engineer in Singapore Petroleum Company (refinery) between 1974 and 1976. Mr Ng Chong Wah has held a number of senior management positions within Petronas. Most recently (1998), Mr Ng Chong Wah became the Country Manager of Australia & Project Director (Petronas) for the PNG Gas Pipeline Project.

Directors' Report

For the Financial Period ended 30 June 2001

Principal Activities

The principal activity of the Trust during the course of the financial period was the ownership of gas transmission pipelines located throughout Australia pursuant to its investments in various controlled entities in accordance with the provisions of the Trust's constitution. The consolidated entity undertook the sale of transportation and related services to the producers, consumers, and aggregators of gas through these gas transmission pipelines.

There has been no significant change in the activities of the consolidated entity during the financial period.

Review of Operations

The Trust was registered with the Australian Securities and Investments Commission as a Managed Investment Scheme pursuant to the Managed Investments Scheme Act (1998) on 17 March 2000.

The net equity raised at the initial public offering on 13 June 2000, together with the initial borrowings, totalled \$1.2 billion. These funds were applied to the purchase of controlled entities (\$351.6 million), and to the repayment of existing borrowings at the time of their acquisition (\$864.4 million), as was detailed in the Offer Document dated 5 May 2000.

The Trust is positioning itself to be the leading natural gas transmission company in Australia. The Trust currently has interests in approximately 7,000 km of pipelines transporting approximately 25% of Australia's annual natural gas consumption.

The consolidated entity's total revenue for the financial period was \$263.2 million, an increase of \$5.3 million or 2.1% above the Offer Document forecast. When total revenues are adjusted to exclude Other Pipeline Revenue, which is in the nature of passthrough revenue, actual pipeline revenue growth was 4.0%. The operating profit after income tax and minorities amounted to \$33.0 million, an increase of \$7.5 million or 29.4% over that forecast in the Offer Document.

A table depicting key financial data is shown below:

	Appendix 4B June 2000 \$ mill	Appendix 4B June 2001 \$ mill	Financial Report Actual \$ mill	Offer Document Forecast \$ mill	Change %
Pipeline Revenue	8.7	173.8	182.5	175.4	4.0%
Other Pipeline Revenue	3.9	61.5	65.4	69.7	(6.2%)
Other Revenue	1.3	14.0	15.3	12.8	19.5%
Total Revenue	13.9	249.3	263.2	257.9	2.1%
EBITDA ^a	7.0	127.5	134.5	128.1	5.0%
EBIT ^b	5.8	103.6	109.4	102.5	6.7%
Pre tax Profit	3.7	53.3	57.0	46.9	21.5%
Income Tax Expense	(1.5)	(22.3)	(23.8)	(21.4)	11.2%
Operating Profit after Tax and Minorities	2.3	30.7	33.0	25.5	29.4%
Earnings per Unit (cents)	0.9	12.6	13.5	10.5	28.6%

a - Earnings Before Interest, Tax, Depreciation and Amortisation

b - Earnings Before Interest and Tax

Directors' Report

For the Financial Period ended 30 June 2001

Net cash provided by operating activities during the financial period amounted to \$112.8 million. This was applied to pipeline expansions (\$53 million), including the acquisition of the 15% minority interest in the Roma to Brisbane Pipeline, cash distributions (\$39 million), and net debt repayments (\$5 million). The Trust had approximately \$12 million in cash at financial period-end.

The management and Directors of the Trust have placed a great deal of their initial focus in enabling the business by instigating procedures and control systems to support the commercial operations of the business. Syndicated bank borrowing at financial period-end totalled \$733 million and interest rate hedges were in place to the extent of \$695 million. Unused facilities totalled \$112 million at financial period-end.

The Trust has stated positions in the two largest proposed natural gas infrastructure projects, the Timor Sea & PNG gas projects. It is the intent of the Trust to facilitate pipeline construction so as to serve the ever-expanding natural gas market, and with its national footprint it is ideally positioned to play a pivotal role in either or both of these planned major constructions.

The pipeline industry is concerned with long-lived assets with substantial upfront capital costs. The gestation period of major projects can be considerable. The challenge to management is to balance the basket of opportunities that exist so as to maximise the returns and benefits to its stakeholders. As most "greenfields" pipeline opportunities have an initial period of low profitability and cash-flow, it is imperative that more mature assets maintain capacity throughput so that any dilution is minimised.

Discussions and submissions to governments and regulators regarding the impact of regulation and changes in taxation treatment on gas transmission pipelines, continues to have a priority focus and has a significant impact on the Trust's resources. The Board of the responsible entity and management consider the Trust's involvement in the shaping of future regulatory and fiscal regimes to be critical for the future growth of the Trust and the integrity of its asset base.

During the financial period the Trust distributed 16.0 cents per unit, representing 7.9 cents per unit of income, 45% franked at the 34% corporate rate of income tax, and 8.1 cents per unit as a return of capital.

With the proposed 6.0 cents per unit distribution, comprising an unfranked income distribution of 5.0 cents per unit and a capital distribution of 1.0 cent per unit, as reflected in the financial statements, the overall cash distribution in respect of the financial period is 22.0 cents per unit.

Changes in State of Affairs

During the financial period, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Directors' Report

For the Financial Period ended 30 June 2001

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The operation, construction and maintenance of the Trust's pipeline assets are subject to various Commonwealth, state and territory environmental legislation. These licences pursuant to pipeline assets, require compliance with AS2885, Pipelines Gas and Liquid Petroleum Standard. The Standard has a requirement for the management of the environmental matters associated with all aspects of the high-pressure pipeline industry and the Trust has a requirement to comply.

Environmental plans are prepared and independently audited for construction activities, and in accordance with Part 3 of the Standard, environmental plans are in place and are managed in accordance with the Trust's contracts and the terms and conditions of the licences that the Trust has been issued.

All pipeline assets owned by the Trust are designed, constructed, tested, operated and maintained in accordance with pipeline licences issued by the relevant jurisdictions and Australian standards.

Ongoing monitoring of these requirements is achieved through the use of an environmental audit process carried out by an accredited external auditor.

The Board of the responsible entity reviews the external audit reports and, on a monthly basis the internal reports prepared relating to environmental issues. No breaches have been reported during the financial period and the Trust has complied fully with the environmental management plans that are in place.

Directors' Report

For the Financial Period ended 30 June 2001

Distributions

In respect of the financial period ended 30 June 2001, distributions to Unitholders were made as follows:

Relevant Period	Date Paid	Capital Component \$	Income Component \$	Franked %
17 March 2000 to 30 June 2000	20 December 2000	1,464,000	976,000	38%*
1 July 2000 to 30 September 2000	20 December 2000	6,100,000	6,100,000	38%*
1 October 2000 to 31 December 2000	28 March 2001	6,100,000	6,100,000	38%*
1 January 2001 to 31 March 2001	27 June 2001	6,100,000	6,100,000	60%*

*Income distributions to date in respect of the financial period ended 30 June 2001 have been franked at the 34% corporate income tax rate.

The final distribution for the financial period ended 30 June 2001 will be 6.0 cents per unit, comprising an unfranked income distribution of 5.0 cents per unit and a capital distribution of 1.0 cent per unit. This equates to a total cash distribution of \$14,640,000. This distribution will be paid on 26 September 2001.

Options Granted

No options were:

- i. Granted over unissued units in the Trust during or since the end of the financial period; and
- ii. Granted to the responsible entity.

No unissued units in the Trust were under option as at the date on which this report was made.

No units were issued in the Trust during or since the end of the financial period as a result of the exercise of an option over unissued units in the Trust.

Indemnification of Officers and Auditors

During the financial period, the responsible entity paid a premium in respect of a contract insuring the directors of the responsible entity (as named above), the responsible entity secretary, Mr A J V James, and all executive officers of the responsible entity and of any related body corporate of the Trust against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The responsible entity has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the responsible entity or of any related body corporate of the Trust against a liability incurred as such an officer or auditor.

Directors' Report

For the Financial Period ended 30 June 2001

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each Director (while they were a director or committee member). During the financial period, twenty-four Board Meetings, one Remuneration Committee meeting and four Audit Committee meetings were held.

Directors	Board of Directors		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
G H Bennett	24*	22	1	1	-	-
L J Fisk	24*	23	1	1	-	-
J A Fletcher	24*	22	-	-	4	3
T C Ford	24*	23	-	-	4	4
M Muhammad	24*	12	1	1	-	-
R J Wright	24*	23	-	-	4	4
Ng Chong Wah (Alternate for M. Muhammad)	4	4	-	-	-	-

*Twelve meetings were held in conjunction with the due diligence process in relation to the acquisition of APT Pipelines Limited.

Directors' Unitholdings

The following table sets out each director's relevant interest in units of the Trust or a related body corporate as at the date of this report.

Directors	Fully Paid Units as at 30 June 2001	Units acquired during the financial period	Units disposed of during the financial period
G H Bennett	15,000	15,000	-
L J Fisk	5,000	5,000	-
J A Fletcher	4,000	4,000	-
T C Ford	40,000	40,000	-
M Muhammad	10,000	10,000	-
R J Wright	10,000	10,000	-
Ng Chong Wah	2,000	2,000	-

There are no contracts to which a Director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver interests in the scheme.

Directors' and Executives' Remuneration

The Remuneration Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Trust's operations, the Remuneration Committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Directors' Report

For the Financial Period ended 30 June 2001

Remuneration packages contain the following key elements:

- a) Salary/fees;
- b) Benefits – including the provision of motor vehicle and superannuation benefits; and
- c) Incentive schemes – including performance related bonuses.

The following table discloses the remuneration of the directors of Australian Pipeline Limited as responsible entity for the Trust:

Name	Salary/Fees	Benefits	Incentive Schemes	Total
<i>Non-Executive Directors</i>				
G H Bennett	\$84,205	\$6,736	-	\$90,941
L J Fisk	\$40,000	-	-	\$40,000
J A Fletcher	\$40,000	-	-	\$40,000
T C Ford	\$42,103	\$3,368	-	\$45,471
M Muhammad	\$40,000	-	-	\$40,000
R J Wright	\$42,103	\$3,368	-	\$45,471
Ng Chong Wah	-	-	-	-

The following table discloses the remuneration of the five highest remunerated executives of the Trust and the consolidated entity:

Name	Salary/Fees	Benefits	Incentive Schemes	Total
<i>Consolidated Entity</i>				
J K McDonald	\$346,305	\$167,609	\$106,373	\$620,287
G N Williams	\$179,435	\$45,317	\$56,188	\$280,940
A J V James	\$173,306	\$39,297	\$50,859	\$263,462
M J McCormack	\$139,273	\$66,158	\$44,550	\$249,981
I H Haddow	\$112,948	\$62,512	\$42,027	\$217,487

Scheme Information in the Financial Report

Fees paid to the responsible entity and its associates (including directors and secretaries of the responsible entity, related body corporates and directors and secretaries of related body corporates) out of Trust property during the financial period are disclosed in this Directors' Report and Note 38 to the financial statements.

The responsible entity does not hold any units in the Trust. The Australian Gas Light Company, a 50% shareholder in the responsible entity, holds 30% of the units in the Trust. The number of interests in the Trust issued during the financial period, withdrawals from the Trust during the financial period, and the number of interests in the Trust at the end of the financial period are disclosed in Note 26 to the financial statements.

The value of the Trust's assets as at the end of the financial period is disclosed in the statement of financial position ("Total Assets") and the basis of valuation is included in Note 1 to the financial statements.

Directors' Report

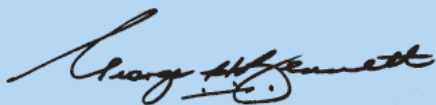
For the Financial Period ended 30 June 2001

Rounding Off Amounts

The Trust is an entity of the kind referred to in Australian Securities and Investments Commission ("ASIC") ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors of the responsible entity made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors:



G H Bennett
Chairman



R J Wright
Director

SYDNEY, 5 September 2001

Statement of Financial Performance

For the Financial Period ended 30 June 2001

	Note	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
Revenue from ordinary activities		254,479	32,668
Share of net profits of joint venture entities accounted for using the equity method		8,718	-
Pipeline operation and management expenses		(41,310)	-
Depreciation and amortisation expense		(25,064)	-
Other pipeline costs		(65,447)	-
Borrowing costs		(66,472)	(161)
Other expenses from ordinary activities		(7,887)	(1,030)
Profit From Ordinary Activities Before Income Tax Expense	2	57,017	31,477
Income tax expense relating to ordinary activities	4	(23,796)	-
Profit From Ordinary Activities After Income Tax Expense		33,221	31,477
Net Profit Attributable to Outside Equity Interests		(257)	-
Net Profit Attributable to Unitholders of the Parent Entity		32,964	31,477
Total Changes in Equity Other than those Resulting from Transactions with Unitholders as Owners		32,964	31,477

Earnings Per Unit (cents per unit)

Basic earnings per unit based on profit from ordinary activities after income tax attributable to Unitholders of the parent entity	13.51
Weighted average number of units on issue used in the calculation of basic earnings per unit (million)	244

Diluted earnings per unit is the same as basic earnings per unit and therefore is not disclosed in the financial statements.

Notes to the financial statements are included on pages 34 to 57

Statement of Financial Position

As at 30 June 2001

		Consolidated	Trust
		2001	2001
	Note	\$'000	\$'000
Current Assets			
Cash		12,237	103
Receivables	6	25,741	101
Inventories	7	175	-
Other	8	988	-
		39,141	204
Non-Current Assets			
Receivables	9	354	-
Investments accounted for using the equity method	10	129,753	-
Other financial assets	11	-	488,295
Property, plant and equipment	12	1,208,739	-
Intangibles	13	9,680	-
Deferred tax assets	14	7,526	-
Other	15	5,646	-
		1,361,698	488,295
Total Assets		1,400,839	488,499
Current Liabilities			
Payables	16	62,836	20,025
Interest-bearing liabilities	17	206	-
Provisions	18	15,771	14,640
Other	19	6,587	-
		85,400	34,665
Non-Current Liabilities			
Payables	20	33	1,250
Interest-bearing liabilities	21	735,011	-
Deferred tax liabilities	22	125,597	-
Provisions	23	97	-
Other	24	600	-
Total Non-Current Liabilities		861,338	1,250
Total Liabilities		946,738	35,915
Net Assets		454,101	452,584
Equity			
Contributed equity	26	452,583	452,583
Retained profits	27	1,488	1
Parent Entity Interest		454,071	452,584
Outside Equity Interest	28	30	-
Total Equity		454,101	452,584

Notes to the financial statements are included on pages 34 to 57

Statement of Cash Flows

For the Financial Period ended 30 June 2001

	Note	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
Cash Flows From Operating Activities			
Receipts from customers		282,554	497
Payments to suppliers and employees		(133,723)	(1,330)
Dividends received		7,206	31,476
Interest received		13,717	695
Interest and other costs of finance paid		(52,456)	(161)
Income tax paid		(4,529)	-
Net cash provided by operating activities	39 (d)	112,769	31,177
Cash Flows From Investing Activities			
Payment for property, plant and equipment		(53,291)	-
Proceeds from sale of property, plant and equipment		142	-
Purchase of controlled entities net of cash acquired	39 (c)	(341,270)	(351,551)
Net cash (used in) investing activities		(394,419)	(351,551)
Cash Flows From Financing Activities			
Proceeds from issues of units		488,000	488,000
Payment for unit issue costs		(13,213)	(13,213)
Proceeds from borrowings		914,855	-
Repayment of borrowings		(1,056,258)	-
Amounts advanced to related parties		-	(115,270)
Distributions and dividends paid		(39,497)	(39,040)
Net cash provided by financing activities		293,887	320,477
Net Increase In Cash Held		12,237	103
Cash At The Beginning Of The Financial Period		-	-
Cash At The End Of The Financial Period	39 (a)	12,237	103

Notes to the financial statements are included on pages 34 to 57

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Trust's Constitution, the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Australian Pipeline Trust (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts".

A list of controlled entities appears in Note 33 to the financial statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Trust obtains control and until such time as the Trust ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(c) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present values as at the date of acquisition.

(d) Interest-Bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of interest-bearing liabilities are deferred and amortised over the period of the interest-bearing liability.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

Summary of Accounting Policies (continued)

(e) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets.

(f) Date of Registration

The Australian Pipeline Trust was registered with the Australian Securities and Investments Commission as a Managed Investment Scheme pursuant to the Managed Investments Scheme Act (1998) on 17 March 2000, and accordingly only current figures from the date of registration to 30 June 2001 are shown.

(g) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on either a straight line or throughput basis depending on the nature of the asset so as to write off the net cost of each asset over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

• Buildings	50 years
• Compressors	up to 25 years
• Pipelines	up to 60 years
• Other plant and equipment	3 – 20 years

(h) Intangibles

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

The right to receive a pipeline tariff is being amortised on a straight-line basis until 2011 being termination of the contract to which the right relates.

(i) Derivative Financial Instruments

The consolidated entity enters into derivative financial instruments including forward interest rate contracts and interest rate swaps to manage its exposure to interest rate risk. Further details are disclosed in Note 42 to the financial statements.

Interest Rate Swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

(j) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee entitlements (long service leave) expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements (long service leave) which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

Summary of Accounting Policies (continued)

(k) Financial Instruments Issued by the Trust

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST, except for accrued revenue and expense at balance date which excludes GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

GST receivable or GST payable is only recognised once a tax invoice has been received or issued.

(m) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

(o) Investments

Investments in controlled entities are recorded at cost. Investments in associates have been accounted for under the equity method in the consolidated financial statements. Other investments are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

Summary of Accounting Policies (continued)

(p) Joint Ventures

Joint Venture Operations

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

Joint Venture Entities

Interests in joint venture entities which are not partnerships are accounted for under the equity method in the consolidated financial statements and the cost method in the Trust financial statements.

(q) Leased Assets

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments. A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are charged as an expense in the period in which they are incurred.

(r) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(s) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value, using discount rates in the range of 7.5% to 9.0% depending on the risk profile of the particular assets, except for intangibles, deferred tax assets and other assets where undiscounted cash flows have been used.

(t) Revenue Recognition

Disposal of Assets

Revenue from the disposal of assets is recognised when the consolidated entity has passed control of the assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
2. Profit from Ordinary Activities		
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Operating Revenue		
Sales revenue:		
Pipeline transportation revenue	173,819	-
Other pipeline revenue	65,447	-
	239,266	-
Interest revenue:		
Other entities	14,042	695
Dividends – wholly-owned controlled entities	-	31,476
Share of net profits from joint venture entities accounted for using the equity method (Note 41)	8,718	-
Other	1,029	497
	263,055	32,668
(b) Non-Operating Revenue		
Proceeds from disposal of property, plant and equipment	142	-
	263,197	32,668
(c) Expenses		
Borrowing costs:		
Interest:		
Other entities	63,346	161
Amortisation of deferred borrowing costs	2,958	-
Finance lease finance charges	60	-
Other borrowing costs	574	-
	66,938	161
Less: amounts capitalised as part of the carrying value of pipeline assets ^a	(466)	-
	66,472	161

a – Capitalisation rate applicable to funds borrowed generally – 9.88%.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
2. Profit from Ordinary Activities (continued)		
Net bad and doubtful debts arising from other entities	11	-
Depreciation of non-current assets:		
Property, plant and equipment	22,539	-
Amortisation of non-current assets:		
Deferred expenditure	1,013	-
Goodwill	487	-
Leased assets	290	-
Right to receive pipeline tariff	735	-
	25,064	-
Other Pipeline Costs		
Operating lease rental expense	20,101	-
Gas Pipeline costs	45,346	-
	65,447	-
Net transfers to provisions:		
Employee entitlements	506	-

3. 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	62	-
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Net Losses

Property, plant and equipment	-	-
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Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
4. Income Tax		
(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	57,017	31,477
Income tax expense calculated at 34% (2000: 36%) of operating profit	19,460	10,712
Permanent Differences:		
Non-allowable depreciation	2,546	-
Non-allowable interest expense	2,149	-
Amortisation of intangible assets	417	-
Equity share of associates profit (less unfranked dividends received)	(514)	-
Rebateable dividends	-	(10,702)
Effect on deferred tax balances due to the change in tax rate	(1,887)	(10)
Other	1,625	-
Income Tax Expense Attributable to Operating Profit	23,796	-
(b) Future income tax benefits not brought to account as assets:		
Tax losses – revenue	821	-
Tax losses – capital	90,341	-
	91,162	-
The taxation benefit of tax losses not brought to account will only be obtained if:		
(a) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;		
(b) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and		
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the loss.		
5. Distributions		
First interim distribution paid 20 December 2000		
Income distribution (2.9 cents per unit) ^a	7,076	7,076
Capital distribution (3.1 cents per unit)	7,564	7,564
Second interim distribution paid 28 March 2001		
Income distribution (2.5 cents per unit) ^a	6,100	6,100
Capital distribution (2.5 cents per unit)	6,100	6,100
Third interim distribution paid 27 June 2001		
Income distribution (2.5 cents per unit) ^b	6,100	6,100
Capital distribution (2.5 cents per unit)	6,100	6,100
Final distribution payable 26 September 2001		
Income distribution (5.0 cents per unit) ^c	12,200	12,200
Capital distribution (1.0 cent per unit)	2,440	2,440
Total Distribution	53,680	53,680
Adjusted franking account balance @ 30%	985	-

a – Income distribution franked to 38% at corporate income tax rate of 34%

b – Income distribution franked to 60% at corporate income tax rate of 34%

c – Income distribution is unfranked

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated 17 March 2000 – 30 June 2001 \$'000	Trust 17 March 2000 – 30 June 2001 \$'000
6. Current Receivables		
Trade receivables	28,954	-
Provision for doubtful debts	(3,306)	-
	25,648	-
Goods and services tax (GST) recoverable	-	101
Other receivables	93	-
	25,741	101
7. Current Inventories		
Finished goods - at cost	175	-
8. Other Current Assets		
Prepayments	988	-
9. Non-Current Receivables		
Other receivables	354	-
10. Investments Accounted for Using the Equity Method		
Joint venture entities – not quoted on stock exchange (Note 41)	129,753	-
11. Other Non-Current Financial Assets		
Shares in controlled entities – at cost	-	371,551
Non-trade receivables from:		
Wholly-owned controlled entities	-	116,744
	-	488,295

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

12. Property, Plant and Equipment

	Consolidated (\$'000)					TOTAL
	Freehold land & buildings	Leasehold improvements	Pipeline assets	Plant and equipment	Work in progress	
Gross Carrying Amount						
Balance at 17 March 2000	-	-	-	-	-	-
Acquisitions of entities	5,815	-	1,154,563	3,798	11,966	1,176,142
Additions	54	429	48,527	899	6,526	56,435
Disposals	-	-	-	(80)	-	(80)
Transfers	-	-	3,735	245	(3,980)	-
Balance at 30 June 2001	5,869	429	1,206,825	4,862	14,512	1,232,497
Accumulated Depreciation / Amortisation						
Balance at 17 March 2000	-	-	-	-	-	-
Depreciation expense	(134)	(150)	(22,381)	(1,093)	-	(23,758)
Disposals	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-
Balance at 30 June 2001	(134)	(150)	(22,381)	(1,093)	-	(23,758)
Net Book Value						
As at 17 March 2000	-	-	-	-	-	-
As at 30 June 2001	5,735	279	1,184,444	3,769	14,512	1,208,739

	Trust (\$'000)					TOTAL
	Freehold land & buildings	Leasehold improvements	Pipeline assets	Plant and equipment	Work in progress	
Gross Carrying Amount						
Balance at 17 March 2000	-	-	-	-	-	-
Acquisitions of entities	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-
Balance at 30 June 2001	-	-	-	-	-	-
Accumulated Depreciation / Amortisation						
Balance at 17 March 2000	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-
Balance at 30 June 2001	-	-	-	-	-	-
Net Book Value						
As at 17 March 2000	-	-	-	-	-	-
As at 30 June 2001	-	-	-	-	-	-

Current Value of Freehold Land and Buildings

The current value of freehold land and buildings was determined in accordance with a Directors' valuation performed on acquisition, 13 June 2000, having regard to independent valuations made on the basis of existing use.

The consolidated entity has adopted the cost basis for valuing freehold land and buildings.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated	Trust
	2001	2001
	\$'000	\$'000
13. Intangibles		
Goodwill	7,916	-
Less: accumulated amortisation	(5,589)	-
	2,327	-
Right to receive pipeline tariff	15,677	-
Less: accumulated amortisation	(8,324)	-
	7,353	-
	9,680	-

Aggregate amortisation allocated during the financial period is recognised as an expense in Note 2 to the financial statements.

14. Deferred Tax Assets

Future income tax benefit		
Tax losses – revenue	1,896	-
Timing differences	5,630	-
	7,526	-

15. Other Non-Current Assets

Debts issue costs	8,450	-
Less: accumulated amortisation	(2,958)	-
	5,492	-
Other	154	-
	5,646	-

Aggregate amortisation allocated during the financial period is recognised as an expense in Note 2 to the financial statements.

16. Current Payables

Trade payables	32,791	25
Other payables	30,045	20,000
	62,836	20,025

17. Current Interest-Bearing Liabilities

Finance lease liabilities ^a (Note 31)	206	-
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a – Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated	Trust
	2001	2001
	\$'000	\$'000

18. Current Provisions

Unitholder distributions	14,640	14,640
Employee entitlements (Note 25)	556	-
Other	575	-
	15,771	14,640

19. Other Current Liabilities

Unearned revenue – interest	6,284	-
Unearned revenue – other	303	-
	6,587	-

20. Non-Current Payables

Non-trade payables to:		
Wholly-owned controlled entities	-	1,250
Others	33	-
	33	1,250

21. Non-Current Interest-Bearing Liabilities

Unsecured:		
Syndicated bank borrowings	733,000	-
Secured:		
Bank borrowings ^a	1,645	-
Finance lease liabilities ^b (Note 31)	366	-
	2,011	-
	735,011	-

a – Secured over buildings located in the Northern Territory.

b – Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

22. Deferred Tax Liabilities

Deferred income tax	125,597	-
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23. Non-Current Provisions

Employee entitlements (Note 25)	97	-
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24. Other Non-Current Liabilities

Unearned revenue – other	600	-
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Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated	Trust
	2001	2001
	\$'000	\$'000

25. Employee Entitlements

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

	Consolidated	Trust
	2001	2001
	\$'000	\$'000
Provision for employee entitlements		
Current (Note 18)	556	-
Non-current (Note 23)	97	-
	653	-

	Consolidated	Trust
	2001	2001
	No.	No.
Number of employees at the end of financial period	14	-

	Consolidated	Trust
	2001	2001
	\$'000	\$'000

26. Contributed Equity

Contributed Equity

Balance at the beginning of the financial period	-	-
Issue of 244,000,000 fully paid units	488,000	488,000
Payment of issue costs	(13,213)	(13,213)
Capital distributions (Note 5)	(22,204)	(22,204)
Balance at the end of the financial period	452,583	452,583

Fully Paid Units^a

Balance at the beginning of the financial period	-	-
Issue of units	244,000	244,000
Balance at the end of the financial period	244,000	244,000

a – Fully paid units carry one vote per unit and carry the right to distributions.

27. Retained Profits

Balance at the beginning of the financial period	-	-
Net profit for the financial period	32,964	31,477
Distributions provided for or paid	(31,476)	(31,476)
Balance at the end of the financial period	1,488	1

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated	Trust
	2001	2001
	\$'000	\$'000

28. Outside Equity Interests

Outside equity interests in controlled entities comprise:

Issued capital	4	-
Retained profits	25	-
Reserves	1	-
	30	-

29. Commitments for Expenditure

(a) Capital Expenditure Commitments

Plant and Equipment

Not longer than 1 year	42,001	-
Longer than 1 year but not longer than 5 years	-	-
Longer than 5 years	-	-
	42,001	-

Consolidated Entity's share of joint venture entities commitments

Not longer than 1 year	944	-
Longer than 1 year but not longer than 5 years	-	-
Longer than 5 years	-	-
	944	-

(b) Other Expenditure Commitments

Consolidated Entity's share of joint venture entities commitments

Not longer than 1 year	287	-
Longer than 1 year but not longer than 5 years	44	-
Longer than 5 years	-	-
	331	-

30. Contingent Liabilities

Bank guarantees	19	-
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One of the Trust's controlled entities has undertaken to provide financial support, as and when required, to certain other of the Trust's wholly owned controlled entities, so as to enable those controlled entities to pay their debts as and when such debts become due and payable.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Consolidated	Trust
	2001	2001
	\$'000	\$'000

31. Leases

Finance Leases

Leasing arrangements

Finance leases relate to leases of general property, plant and equipment. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by lease arrangements concerning distributions, additional debt and further leasing.

Finance lease liabilities

No later than 1 year	242	-
Later than 1 year and not later than 5 years	400	-
Later than 5 years	-	-
Minimum finance lease payments	642	-
Less: future finance charges	(70)	-
Present value of lease payments	572	-

Included in the financial statements as:

Current interest-bearing liabilities (Note 17)	206	-
Non-current interest-bearing liabilities (Note 21)	366	-

Non-Cancellable Operating Leases

Leasing arrangements

Operating leases relate to leases of office space and the lease of transmission pipelines in the Northern Territory. There are no contingent rental payments due or payable. There are no renewal or purchase options and escalation clauses or restrictions imposed by lease arrangements concerning distributions, additional debt and further leasing. Various operating leases have standard lease renewal options.

In respect of the transmission pipelines, the Northern Territory Government has guaranteed a minimum income in respect of the Trust to meet the operating lease commitments as detailed.

Non-cancellable operating leases – transmission pipelines

Not longer than 1 year	17,092	-
Longer than 1 year but not longer than 5 years	68,807	-
Longer than 5 years	148,204	-
	234,103	-

Non-cancellable operating leases – other

Not longer than 1 year	174	-
Longer than 1 year but not longer than 5 years	141	-
Longer than 5 years	29	-
	344	-

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

32. Joint Venture Operations

Joint Venture	2001 Interest of Consolidated Entity	Principal activity
Carpentaria pipeline	70%	Gas pipeline operation – Queensland
Mid West pipeline	50%	Gas pipeline operation – West. Australia
Roma to Brisbane pipeline ^a	-	Gas pipeline operation – Queensland

a - During the financial period the consolidated entity purchased the remaining 15% to move to 100% ownership of this pipeline operation.

The consolidated entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

	Consolidated	Trust
	2001	2001
	\$'000	\$'000
Current Assets		
Cash	121	-
Receivables	226	-
Other	104	-
Non-Current Assets		
Property, plant and equipment	146,390	-
Total Assets	146,841	-

33. Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest 2001 (%)
Parent Entity		
Australian Pipeline Trust	Australia	100
Controlled Entities		
APT Pipelines Limited	Australia	100
ACN 006 699 378 Pty Limited	Australia	100
Agex Pty Limited	Australia	100
Amadeus Gas Trust	Australia	96
APT Management Services Pty Limited	Australia	100
APT Petroleum Pipelines Holdings Pty Limited	Australia	100
APT Petroleum Pipelines Limited	Australia	100
APT Pipelines (NSW) Pty Limited	Australia	100
APT Pipelines (NT) Pty Limited	Australia	100
APT Pipelines (Qld) Pty Limited	Australia	100
APT Pipelines (WA) Pty Limited	Australia	100
APT Pipelines Investments (NSW) Pty Limited	Australia	100
APT Pipelines Investments (WA) Pty Limited	Australia	100
East Australian Pipeline Limited	Australia	100
Gasinvest Australia Pty Limited	Australia	100
NT Gas Distribution Pty Limited	Australia	96
NT Gas Easements Pty Limited	Australia	100
NT Gas Pty Limited	Australia	96
Roverton Pty Limited	Australia	100
Sopic Pty Limited	Australia	100

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

34. Acquisition of Controlled Entities

On 13 June 2000, the Trust acquired APT Pipelines Limited and its controlled entities from The Australian Gas Light Company (as disclosed in Note 33 above) for consideration of \$351.551 million. Further details of the acquisition are disclosed in Note 39 to the financial statements.

35. Segment Information

The consolidated entity operates predominantly in one industry, being the gas transmission infrastructure industry and one geographic segment, being Australia. The consolidated entity earns revenue by selling transportation and related services to the producers, consumers and aggregators of gas.

	Consolidated	Trust
	2001	2001
	\$	\$

36. Directors' and Executives' Remuneration^a

Aggregate income paid or payable, or otherwise made available, to directors of:

Australian Pipeline Limited, as responsible entity for the Trust	301,883	301,883
Executives whose remuneration equals or exceeds \$100,000	1,755,065	-

The number of directors and executives whose total remuneration falls within each successive \$10,000 band:

	No.	No.
Directors		
\$0 to \$9,999		1
\$40,000 to \$49,999		5
\$90,000 to \$99,999		1
Executives		
\$120,000 to \$129,999	1	-
\$210,000 to \$219,999	1	-
\$240,000 to \$249,999	1	-
\$260,000 to \$269,999	1	-
\$280,000 to \$289,999	1	-
\$620,000 to \$629,999	1	-

a – Remuneration for each director and executive officer includes salary, bonus, superannuation, retirement payments and other benefits.

	Consolidated	Trust
	2001	2001
	\$	\$

37. Remuneration of Auditor

Remuneration of the auditor of the Trust for:

Auditing the financial report	177,000	5,000
Compliance Plan audit	16,450	-
Initial Systems Implementation support	33,155	-
Other Accounting and Assurance Services	53,395	-
	280,000	5,000

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

38. Related Party Disclosures

(a) Responsible Entity

The responsible entity of Australian Pipeline Trust is Australian Pipeline Limited (ACN 091 344 704). Australian Pipeline Limited is 50% owned by The Australian Gas Light Company ("AGL") and 50% owned by unrelated parties.

(b) Equity Interests in Related Parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 33 to the financial statements and the details of the percentage of ordinary shares held in joint venture entities are disclosed in Note 41 to the financial statements.

(c) Directors' Remuneration

Details of Directors' remuneration is disclosed in Note 36 to the financial statements.

(d) Equity Holdings of Directors of Australian Pipeline Limited

	Units of the Trust
Issued during the financial period to Directors and their director-related entities	86,000
Disposed during the financial period by Directors and their director-related entities	-
Number held at the end of the financial period by Directors and their director-related entities	86,000

(e) Transactions between the Trust and Controlled Entities

Details of dividend and interest revenue from controlled entities is disclosed in Note 2 to the financial statements. Aggregate amounts receivable from and payable to controlled entities are disclosed in Notes 11 and 20 to the financial statements.

(f) Transactions with Related Parties

Transactions with related parties have taken place at arms length and in the ordinary course of business.

Australian Pipeline Limited

Management fees of \$1.029 million were paid to the responsible entity as reimbursement of costs incurred on behalf of the Trust. No amounts were paid directly by the Trust to the directors of Australian Pipeline Limited.

The Australian Gas Light Company ("AGL")

The relationship between the Trust and AGL is governed by a number of agreements including the Pipeline Management Agreement ("PMA") and the Pipeline Development Agreement ("PDA").

Under the PMA a controlled entity of AGL, Agility Management Pty Limited, provides technical services and certain marketing and transitional services in respect of the consolidated entity's gas transmission assets. Compensation for these services is a combination of agreed costs and a fixed fee of \$6 million per annum partially indexed to CPI. The initial term of the PMA is twenty years and rolling five year terms thereafter, terminable on twelve months' notice. The costs for specified technical and marketing services are fixed until 2005, but are reviewable thereafter. After 30 June 2005, the consolidated entity may request Agility Management Pty Limited to introduce contestability in the provision of certain of the services.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

38. Related Party Disclosures (continued)

The PDA sets out the terms governing the future transfer of assets between the Trust and AGL. Pursuant to this agreement, both parties agree that they will jointly seek out and examine opportunities to develop projects. The Agreement provides the consolidated entity with a first right to purchase at least 20% of the Papua New Guinea Gas Pipeline and AGL's entire interest in other future gas transmission projects in Australia. Under the Agreement, the Board of the responsible entity will review any future project offered and determine whether or not to purchase the project on terms nominated by AGL. The annual amount payable for these services is the greater of costs (determined by reference to hourly rates) and \$250,000 (increasing in accordance with CPI). The initial term of the PDA is twenty years and rolling five year terms thereafter, terminable on twelve months' notice.

During the financial period, AGL provided various services to the consolidated entity totalling \$79.043 million. This included \$28.774 million paid to Agility Management Pty Limited under the PMA, \$36.463 million paid to Agility Team Build Pty Limited in relation to capital construction costs and a total of \$12.696 million to Agility Services Pty Limited (\$8.549 million) and Agility Management Pty Limited (\$4.147 million) for sub-contracted pipeline maintenance services and \$1.11million to other AGL controlled entities for initial setup and advisory services.

The Gas Transportation Deed ("GTD") between East Australian Pipeline Limited ("EAPL"), an entity in the wholly-owned group, and AGL Wholesale Gas Limited is the main revenue contract for the Moomba to Sydney Pipeline system and expires on 1 January 2017. Until 1 January 2007 AGL Wholesale Gas Limited will, pursuant to the GTD, pay a series of minimum monthly payments to EAPL to be offset against AGL Wholesale Gas Limited's liability to pay for gas transported, determined using the minimum published Reference Tariff from time to time. As at 1 January 2007, any amounts that are not required to satisfy AGL Wholesale Gas Limited's liability to pay for transportation services are retained by EAPL.

For the period 1 January 2007 until 1 January 2017, EAPL must provide AGL Wholesale Gas Limited firm transportation service with a grant of transportation reservation to a defined maximum daily quantity. The tariff for this service will be the minimum published Reference Tariff from time to time.

During the financial period, the Trust provided gas transportation and other services to AGL and its controlled entities. The total gas transportation and related services revenue was \$107.303 million. Of this amount transportation revenue under the GTD with AGL Wholesale Gas Limited was \$95.484 million.

AGL has provided a \$5 million guarantee to enable the responsible entity to meet its Dealers' License requirements under the Corporation Act 2001.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

39. Notes to the Statement of Cash Flows

	Consolidated	Trust
	2001	2001
	\$'000	\$'000
(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 period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank and on hand	6,406	103
Short-term deposits	5,831	-
	12,237	103
(b) Financing Facilities		
Unsecured syndicated bank borrowings:		
Amount used	733,000	-
Amount unused	112,000	-
	845,000	-
(c) Controlled Entities Acquired (Note 34)		
Consideration:		
Cash	351,551	351,551
Other assets	-	-
	351,551	351,551
Fair value of net assets acquired		
Cash	10,281	-
Receivables	43,654	-
Investments	128,240	371,551
Property, plant and equipment	1,176,142	-
Intangibles	10,902	-
Deferred expenditure	8,766	-
Deferred tax assets	2,222	-
Other assets	1,209	-
Payables	(186,815)	(20,000)
Unearned revenue	(1,245)	-
Borrowings	(740,392)	-
Deferred tax liabilities	(101,161)	-
Other provisions	(147)	-
Outside equity interests	(105)	-
Total	351,551	351,551

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

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

	Consolidated	Trust
	2001	2001
	\$'000	\$'000
Net cash outflow on acquisition		
Cash consideration	351,551	351,551
Less: cash balances acquired	(10,281)	-
Total outflow of cash	341,270	351,551

(d) Reconciliation of Profit from Ordinary Activities After Income Tax to Net Cash Flows from Operating Activities

Profit from ordinary activities after income tax	33,221	31,477
(Profit)/loss on sale of non-current assets	(62)	-
Share of associates profit (net of dividends received)	(1,513)	-
Depreciation and amortisation of non-current assets	28,022	-
Changes in assets and liabilities, net of effects from acquisitions of businesses:		
Current receivables	15,421	(101)
Current inventories	(13)	-
Other current assets	59	-
Current payables	10,734	(199)
Other current liabilities	7,022	-
Non-current liabilities	(76)	-
Increase/(decrease) in income tax balances	19,954	-
Net cash from operating activities	112,769	31,177

40. Economic Dependency

- (a) A significant volume of the consolidated entity's revenues are derived pursuant to the Gas Transportation Deed between AGL Wholesale Gas Limited and a wholly-owned controlled entity of the Trust.
- (b) The consolidated entity is dependent to a significant extent on the technical and marketing services provided by Agility Management Pty Limited pursuant to the Pipeline Management Agreement that covers certain of the consolidated entity's gas transmission pipelines.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

	Ownership Interest	Consolidated
	2001	2001
	%	\$'000

41. Investments Accounted for Using the Equity Method

Equity Method

Name of entity	Principal activity	
SCP Investments (No.1) Pty Ltd	Transmission of natural gas	45%

Movement in Investment in Joint Venture Entity

Equity accounted amount of investment on acquisition by the Trust	128,240
Share of net profit from ordinary activities after income tax expense	8,538
Adjustment for dissimilar accounting policies	490
Additional amortisation on acquisition	(310)
Share of dividends	(7,205)
Equity accounted amount of investment at the end of the financial period	129,753

Share of assets and liabilities of Joint Venture Entity

Assets

Cash	10,458
Other current assets	7,238
Property, plant and equipment	238,951

Liabilities

Current payables	(2,797)
Current interest-bearing liabilities	(5,803)
Non-current liabilities	(137,084)

Net assets	110,963
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Share of net profit of joint venture entity

Revenues from ordinary activities	33,849
Expenses from ordinary activities	(20,956)
Profit from ordinary activities before income tax expense	12,893
Income tax (expense) attributable to ordinary activities	(4,355)
Profit from ordinary activities after income tax expense	8,538

Share of reserves of joint venture entity

Retained profits	-
On acquisition by the Trust	2,665
At the end of the financial period	2,665

The capital commitments arising from the consolidated entity's interest in joint venture entities are disclosed in Note 30.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

42. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Interest Rate Contracts

The consolidated entity enters into various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts and forward interest rate contracts. The consolidated entity does not enter into such instruments for speculative purposes.

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts and forward interest rate contracts outstanding as at the reporting date.

	Weighted Average Interest Rate 2001 %	Notional Product Amount 2001 \$'000
Outstanding Contracts		
Less than 1 year	4.8408	225,000
1 to 2 years	6.9550	50,000
2 to 5 years	7.0314	70,000
5 years and more	7.1371	350,000
		695,000

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions, represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

42. Financial Instruments (continued)

(d) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective interest rate on financial instruments at the reporting date are detailed in the following table.

2001	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non-Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.82	12,237	-	-	-	-	12,237
Receivables	-	-	-	-	-	26,095	26,095
		12,237	-	-	-	26,095	38,332
Financial Liabilities							
Payables	-	-	-	-	-	62,869	62,869
Bank loans	5.80	733,000	-	-	-	-	733,000
Bank loan ^a	0.00	-	-	-	-	1,645	1,645
Interest rate contracts	6.37	(695,000)	225,000	120,000	350,000	-	-
Financial lease liabilities	7.09	572	-	-	-	-	572
Distribution payable	-	-	-	-	-	14,640	14,640
Employee entitlements	-	-	-	-	-	653	653
Other – unearned interest	-	-	-	-	-	6,284	6,284
– unearned revenue	-	-	-	-	-	903	903
		38,572	225,000	120,000	350,000	86,994	820,566

a – residual payment due to Financiers on expiration of lease.

Notes to the Financial Statements

For the Financial Period ended 30 June 2001

42. Financial Instruments (continued)

(e) Net Fair Values

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The net fair value of financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

	Carrying Amount	Net Fair Value
	2001	2001
	\$'000	\$'000
Financial Assets – not readily traded		
Favourable interest rate swaps	23	643
Financial Liabilities – not readily traded		
Unfavourable interest rate swaps	(898)	(18,568)

Directors' Declaration

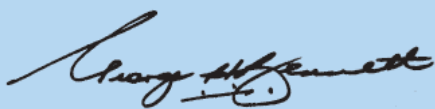
The financial statements and notes thereto of the Australian Pipeline Trust ("the Trust") for the financial period ended 30 June 2001 have been prepared by Australian Pipeline Limited ("the responsible entity") in accordance with the Corporations Act 2001.

The directors of the responsible entity declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Trust and the consolidated entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the responsible entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



G H Bennett
Chairman



R J Wright
Director

SYDNEY, 5 September 2001

Independent Audit Report

to the Unitholders of Australian Pipeline Trust

Scope

We have audited the financial report of Australian Pipeline Trust ('the Trust') for the financial period from 17 March 2000 to 30 June 2001 as set out on pages 31 to 58. The financial report includes the consolidated financial statements of the consolidated entity comprising the Trust and the entities it controlled at the financial period's end or from time to time during the financial period. The Directors of Australian Pipeline Limited, as responsible entity for the Trust, are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Unitholders of the Trust.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows. The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Australian Pipeline Trust is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2001 and of their performance for the period ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

Deloitte Touche Tohmatsu



J H W Riddell
Partner
Chartered Accountants

SYDNEY, 5 September 2001

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Additional Stock Exchange Information

For the Financial Period ended 30 June 2001

20 Largest Unitholders As at 13 September 2001	Fully paid units '000's	total issued units %
The Australian Gas Light Company	73,200	30
Petronas Australia Pty Limited	24,400	10
Questor Financial Services Limited <TPS RF A/C>	2,266	0.93
Chase Manhattan Nominees Limited	1,802	0.74
National Nominees Limited	1,376	0.56
Wespac Custodian Nominees Limited	1,288	0.53
Perpetual Trustees Company Ltd	899	0.37
Lady Norma Trescowthick	830	0.34
Permanent Trustee Company Ltd	750	0.31
Fleet Nominees Pty Limited	713	0.29
Commonwealth Custodial Services Limited <No 2 Account>	668	0.27
Citicorp Nominees Pty Limited	611	0.25
Tower Trust (NSW) Limited <Aust Ethical Balanced A/C>	600	0.25
Tower Trust (NSW) Limited <Aust Ethical Large Co A/C>	543	0.22
Ms Thelma Joan Martin-Weber	500	0.2
Transport Accident Commission	411	0.17
Questor Financial Services Limited <TPS PIP A/C>	344	0.14
UBS Warburg Private Clients Nominees Pty Ltd	329	0.14
Commonwealth Custodial Services Limited	327	0.13
AMP Life Limited	319	0.13
Total	112,185	45.97
Remainder	131,814	54.03
Grand Total	244,000	100

As at 13 September 2001	Quoted fully paid units with full voting rights	
	Unitholders	Units %
Distribution of Unitholders and Unitholdings		
Class of holder		
Individuals	24,668	39.15
Companies	4,651	60.85
Size of holding		
1 – 1,000	4,363	
1,001 – 5,000	19,961	
5,001 – 10,000	3,356	
10,001 – 100,000	1,572	
100,001 and over	67	
Holding less than a marketable parcel	18	

Responsible Entity and Registered Office

Australian Pipeline Limited (ABN 99 091 344 704)
Level 5, Airport Central Tower
241 O’Riordan Street
Mascot NSW 2020
Telephone: (02) 9693 0000
Facsimile: (02) 8339 0005
Internet: www.pipelinetrust.com.au
Email: feedback@pipelinetrust.com.au

Directors of the Responsible Entity

George H Bennett (Chairman)
Les J Fisk
John A Fletcher
Thomas C Ford
Muri Muhammad
Robert J Wright
Ng Chong Wah (Alternate Director for
Muri Muhammad)

Chief Executive Officer

Mr James K McDonald

Chief Financial Officer

Mr Graeme N Williams

Company Secretary

Mr Austin J V James

Auditors of the Trust

Deloitte Touche Tohmatsu
Level 3, 225 George Street
Sydney NSW 2000

Unit Registry

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1232
Telephone: (02) 8280 7132
Email: registrars@aprl.com.au

ASX Code

APA

To arrange changes of address, or changes in registration of units, please contact the Unit Registry in Sydney, at the address or number listed above.