Australian Pipeline Trust

Interim Financial Report
31 December 2006

Directors' Report
For the Half Year Ended 31 December 2006

The Directors of Australian Pipeline Limited ("APL" or "Responsible Entity") submit herewith the financial report of Australian Pipeline Trust ("APA" or "Trust") for the half year ended 31 December 2006. This report and financial statements attached refers to the consolidated results of Australian Pipeline Trust and APT Investment Trust ("APA Group"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Responsible Entity during and since the end of the half year are:

Mr G H Bennett (chairman)

Mr R M Gersbach (retired as of 30 October 2006 as an AGL appointed Non-Executive Director, appointed Independent Non-Executive Director on 6 November 2006).

Mr R A Higgins, AO

Mr M Muhammad

Mr R J Wright

Ms Wan Shamilah Saidi (alternate for Mr M Muhammad)

Mr M J McCormack (Managing Director)

Ms J F McAloon (retired as of 28 August 2006)

Secretary

Mr A J V James LLB

Principal Activities

The principal activities of the consolidated entity during the course of the financial period were the ownership of gas transmission pipelines located throughout Australia and a gas distribution network in South-East Queensland and Northern New South Wales. The consolidated entity undertook the sale of transportation and related services to the producers, consumers and aggregators of gas through these gas transmission and distribution pipelines. Additionally, APA owns a coal seam gas processing plant, gas storage facilities and a high voltage direct current interconnection system, including a 180 kilometre underground transmission cable.

Distributions

The Directors have declared a second interim profit distribution of 4.0 cents per unit ('cpu') unfranked to be paid on 30 March 2007. The Directors of APT Investment Trust have declared an interim distribution of 3.0 cpu which represents a 1.5 cent unfranked income distribution and a 1.5 cent capital distribution. This takes the total distribution for the APA stapled security for the current period to 14.0 cents per security ("cps") (2005:12.0 cps).

Operating and Financial Review

- **Total Revenue** - $243,276,000, up 30.3% previous corresponding period ("pcp");
- **EBITDA** - $134,923,000, up 34.8% on pcp;
- **Profit after income tax and minorities** - $32,629,000, up 4.4% on pcp;
- **Free cash flow per security** – 19.8 cps, up 9.0% on pcp
- **APA Group distributions for the current period** – 14 cps, up 16.7% on pcp.

Figures above have been adjusted for significant items.

Cash flow - Free cash flow available for distribution to securityholders is a key metric for the business. Free cash flow is defined as net cash from operations after interest and tax payments and after 'stay-in-business' capital expenditure. During the period free cash flow has grown strongly in dollar terms, as well as on a per security basis. The growth in free cash flow has come from organic growth on APA's existing pipelines, recent acquisitions (GasNet and Allgas) and complementary assets. Free cash flow for the current period was $64.9 million, an increase of $12.4 million or 23.6% on pcp. On a per security basis, free cash flow per security was 19.8 cps, an increase of 1.6 cps or 9.0% on pcp. Recognising APA's commitment to return distributions to its securityholders, APA's free cash flow payout ratio increased to 70.9% from 66.2% in the pcp.

Earnings - APA Group recorded an operating profit after tax and minorities before significant items of $32,629,000 for the six months ended 31 December 2006, an increase of 4.4% over the previous corresponding period ("pcp") of $31,249,000.

The increased performance, after adjusting for non-recurring significant items detailed below, was mainly due to:

- increased pipeline transportation revenue from the WA and Queensland gas businesses;
- part year contributions from the two new acquisitions completed during the half year, Allgas and GasNet; and
- a six month contribution (2005:nil) from the Murraylink business acquired in March 2006.

Significant items in the current period related to "one-off" expenses associated with Alinta related legal actions of $2,738,000 after tax and a revaluation gain of $2,380,000 after tax on ineffective interest rate hedges acquired as part of the GasNet acquisition. The prior period result included a significant item in relation to resolution of a tariff dispute resulting in a profit after tax benefit of $2,283,000. After significant items, profit attributable to securityholders of APA Group for the six months ended 31 December 2006 was $32,271,000 (2005:$33,532,000).

Highlights

Consistent with its Strategic Plan, APA Group has made a series of acquisitions and new investments, expanding its total asset base in the process from $2.1bn at 30 June 2006 to $4.0bn at 31 December 2006. The financial period has seen an unprecedented level of activity. This reflects the ongoing ownership changes within the Australian energy infrastructure sector as institutional investors and private equity companies compete aggressively with the established players for control of some of Australia's most valuable infrastructure assets.

However, APA Group has been disciplined in focusing on the execution of its strategy of increasing utilisation of existing assets, expanding its portfolio of gas transportation assets through targeted acquisitions and investing in related and complementary assets which supports its aim to increase distributions by at least CPI annually.

A summary of the major achievements for the period is set out below:

- Acquisition of GasNet Australia Group ("GasNet") for $445.8 million cash (including acquisition costs and an 11c interim distribution). APA Group launched its offer for GasNet following the termination of an unsuccessful joint bid for the company with Babcock and Brown Infrastructure in August 2006. The offer of $3.10 cash per GasNet stapled security was unanimously supported by the GasNet board with completion of the compulsory acquisition process on 18 December 2006.

- Acquisition on 1 November 2006 of the Allgas Energy ("Allgas") distribution business in south east Queensland and northern New South Wales, via competitive tender for $538.4 million (including acquisition costs). Allgas is one of two gas distribution businesses in south east Queensland and northern New South Wales and includes a network of over 2,300km of distribution mains located in high population growth centres. APA's Roma to Brisbane Pipeline ("RBP") is the only supply source into the Allgas distribution system, providing APA Group with a unique opportunity to expand the combined transmission and distribution system, leveraging the rapid growth of the south east Queensland market.

- Heads of Agreement signed between Epic Energy ("Epic") and APA Group on 10 November 2006 to carry out Front End Engineering and Design ("FEED") of the North Gas Link. The Link will join Epic's South West Queensland Pipeline ("SWQP") at Ballera with the two principal transmission systems originating at Moomba - APA Group's Moomba Sydney Pipeline ("MSP") and Epic's Moomba Adelaide Pipe System. The Link is a key step in the evolution of a true East Coast Gas grid connecting Queensland, South Australia, NSW and Victoria to a physical gas supply. The FEED study was completed in December 2006 at a cost of approximately $240,000 (APA Group share).

- Agreement signed on 20 December 2006 to acquire the DirectLink electricity transmission asset for $170 million. DirectLink is one of only two transmission links between the New South Wales and Queensland power grids. The acquisition continues APA Group's strategy of acquiring complementary energy transmission assets and follows the purchase in March 2006 of the Murraylink electricity assets. Settlement is expected in late February or early March 2007.

- During November 2006, APA announced further investments in complementary assets including a second coal seam gas processing facility and a second gas fired power station.

- APA Group successfully raised $598 million in equity during the period to part pay down acquisition bridge finance and to reduce its gearing. This was achieved via an institutional placement ($190 million) and a security purchase plan ($40 million) in September 2006; two instalments of the DRP and a 2:7 renounceable rights issue ($356 million) completed in December 2006.

- In December 2006, all securityholders on the register were issued one stapled unit in APT Investment Trust (APTIT) which will provide securityholders with access to tax deferred distributions. APA now trades as a stapled group on the ASX.

Financial Commentary

The following is a commentary on the operating results for the period:

Revenue
Revenue, before significant items, grew by 30.3% from $186,684,000 in the pcp to $243,276,000.

Pipeline transportation revenue (excluding significant items and passthrough revenue) increased by 28.9% from $139,219,000 in the pcp to $179,495,000 in the current period. The major components of this increase were:

■ Additional revenue from new businesses - Allgas and GasNet	$33,930,000
■ CGP and RBP revenue increase	$4,999,000
■ WA revenue increase	$5,300,000
■ New third party revenues on MSP	$1,906,000

Revenue from the RBP increased principally due to additional revenue from CS Energy associated with additional generation at the Swanbank power station and additional throughput to major industrial users in the Brisbane area. Higher revenue on CGP reflects the commencement of a new short-term contract with Mt Isa Mines Limited, plus general tariff escalation.

The increase in revenue from the WA Gas Business is mainly due to increased third party revenues, particularly from the mining sector.

Pipeline transportation revenue increased despite a reduction in the revenue of MSP under the GTD of $2,900,000 and the cessation of the capital return tariff on the Amadeus Basin to Darwin pipeline in Northern Territory of $2,600,000, as foreshadowed in previous financial reports.

Expenses
Pipeline operating and management expenses increased from $32,753,000 in the pcp to $47,249,000, an increase of 44.3%, due to the impact of consolidating the newly acquired entities Allgas, GasNet and Murraylink. Excluding the pipeline operating and management expenses of the acquired entities, expenses were higher by $447,000.

Borrowings and Finance Cost
As at 31 December 2006, APA had borrowings of $2,503.6 million principally from bi-lateral facilities and US Private Placement notes, compared to $1,259.5 million as at 30 June 2006. Borrowings increased due to the funding of the acquisitions of Allgas and GasNet and the consolidation of GasNet's own borrowings of $654.2 million.

Cash Flow
The net cash from operating activities before interest and tax increased by 24.5% from $96,747,000 in the pcp to $120,448,000, principally due to the acquisitions detailed above.

The net cash used in investing activities includes the acquisition of the Allgas Energy Distribution business ($538,391,000) and GasNet Australia Group ($445,828,000). Payments for property, plant and equipment include the construction of two gas fired power stations at Daandine and Mt Isa in Queensland, a gas storage facility at Mondarra and the compressor expansion on the GGT pipeline in Western Australia.

Distributions
Profits of $40,060,000 (2005: $33,468,000) were distributed to securityholders in the current period. Of this, $11,529,000 (2,678,000 securities) was reinvested in new securities under APA's DRP.

Earnings per Security
Earnings per security ("EPS") before significant items, calculated on a weighted average basis, for the current period was 9.93 cps an 7.9% decrease over the pcp of 10.78 cps. The equity raised through the private placement, rights issue, dividend reinvestment plan and security purchase plan increased the number of securities on issue, which impacted EPS. The weighted average number of securities on issue during the current period was 328,522,000, up from 289,819,000 in the pcp.

REGULATORY MATTERS
Interaction with governments and regulators of gas transmission pipelines continued to play a significant role in APA Group's business. The key regulatory matters addressed during the period included:

Roma Brisbane Pipeline Access Arrangement
In December 2006, the ACCC released its Final Decision on the RBP Access Arrangement. The Final Decision does not impact APA Group's ability to undertake RBP expansions at a tariff negotiated with users. The RBP is effectively fully contracted until 2012 so the changes being proposed by the ACCC do not have a material impact for a number of years.

MSP Federal Court Decision
In February 2007 the High Court granted APA Group leave to appeal against the decision of the Federal Court in the MSP matter. It is likely that the appeal will be heard by the Court in the second half of 2007. The Australian Competition Tribunal has not yet decided whether to defer its reconsideration of the matter until the High Court appeal is heard. The outcome of the court proceedings has no material impact on pipeline revenues as the pipeline is only partially covered by regulation.

APT Allgas
Full Retail Contestability ("FRC") is to be introduced in Queensland in July 2007. APA Group has commenced work on systems to ensure FRC is implemented in a timely and effective manner. FRC is seen as a positive step forward for the Queensland energy market.

OTHER ISSUES

Alinta Investment in APA Group

In August 2006, Alinta acquired (through a subsidiary named Trewas Pty Ltd) approximately 10% of APA's total issued capital (Alinta Purchases). Following the implementation of the Alinta/AGL merger in October 2006, Alinta also acquired old AGL (together with its APA securityholding).

The Takeovers Panel made a declaration that the Alinta Purchases amounted to unacceptable circumstances and made orders requiring the APA securities acquired by the Alinta Purchases (and the APA securities Alinta acquired under APA's placement on 1 September 2006) be vested in ASIC and sold by a bookbuild or into an unconditional takeover bid.

Alinta applied to the Federal Court challenging the Panel's declaration and orders, however, Alinta's application was dismissed. The Federal Court upheld the orders of the Takeovers Panel. Alinta then appealed to the full Federal Court. A decision is expected soon. The Takeovers Panel's orders have been stayed pending that decision.

The Federal Court also dismissed APA's application for a declaration that the Alinta Purchases were in contravention of the Corporations Act. APA has appealed this to the full Federal Court. A decision is expected soon.

Alinta has also given revised undertakings to the ACCC, which include an undertaking to sell all of its securities in APA, as well as its 12 shares in APL and the options it has over another 12 shares in APL. The time period for such a sale is confidential. If however, APA sells some of its major assets, then Alinta will be allowed to keep these securities, shares and options. The Board of APL has no present intention to sell these assets. Alinta's revised undertakings (of 27 November 2006) may be viewed on the ACCC's website (www.accc.gov.au).

In November 2006, Alinta commenced an action against APL, APT Pipelines Limited and all of the directors of APL. The action against Mr Muri Muhammad was later discontinued. Alinta is seeking certain declarations and to "unwind" the share issue made by APL to APT Pipelines Limited in October 2006 as part of meeting its dealers licence obligations. This claim is being defended.

Northern Gas

APA Group has long been an advocate for the development of additional northern gas supplies to meet the strong and growing demand for gas in eastern Australia within the next 10-15 years.

On 1 February 2007, Oil Search announced that work on the PNG to Australia Pipeline project had been suspended whilst other gas development options were being evaluated. While the decision is disappointing, APA Group believes there are currently adequate gas supplies to meet demand in eastern Australia, as well as alternative supplies for the future, including Coal Seam Gas (CSG).

The CSG industry has developed rapidly over the past three years and is expected to play an increasing role in the energy market over the medium term. APA Group recently announced the joint development with Epic Energy of the North Gas Link which will deliver CSG to the southern markets via an interconnecting pipeline between Ballera and APA Group's MSP.

In the longer term, a northern gas solution will be vital to meet the supply demands of eastern Australia and APA will continue to advocate options such as Papua New Guinea, Timor Sea or North West Shelf gas sources.

Stress Corrosion Cracking ("SCC") Repair Program

The investigation and repair of SCC on the MSP continued during the period. Between 7 October 2006 and 11 November 2006, 69 sites were inspected and the necessary repairs made at a cost of $4,200,000. A further $2,700,000 was committed for the pigging of 276 kilometres of the pipeline immediately upstream of Bulla Park

in February 2007. The provision for the 2006/07 SCC program is expected to be sufficient to meet the expenditure requirements for the year.

Industry funded research into fatigue failure of SCC cracks and burst testing produced positive results in the period in terms of the cost of future repairs.

MSP Transportation

As previously advised to the market the fixed payments under the GTD with AGL expired on 1 January 2007. Negotiations are continuing in relation to the services to be provided to AGL from 1 January 2007. AGL has notified a non-tariff dispute to the ACCC, seeking arbitration of the matter.

Significant Changes in State of Affairs

In the opinion of the directors of the Responsible Entity, no significant changes in the state of affairs of the Trust occurred during the period under review, except as noted below:

Return of Capital

APT Investment Trust ("APTIT") was capitalised by way of a pro rata capital distribution of $302,000,000 from APA, post the rights issue transaction. APA then issued APTIT units (equalling the expanded number of units post the rights issue) which were stapled to the existing units in APA.

APTIT Capital

The issued capital of APTIT, post the rights issue is $302,000,000.

APTIT Minority Interest in Equity

In accordance with UIG 1002 "Post-Date-of-Transaction Stapling Arrangements" APA and APTIT are required to identify one of them as acquirer and the parent under the stapling arrangements. APA is the acquirer and the parent. Accordingly, for accounting purposes the interests of APTIT unitholders are treated as minority interests in the APA Group.

Events Occurring after Reporting Date

Since the end of the period, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the half year financial report that has significantly affected or may significantly affect the operations of APA, the results of those operations or the state of affairs of APA in years subsequent to the period ended 31 December 2006.

Directors' Holdings of Securities

The aggregate number of securities held directly, indirectly or beneficially by directors or their director-related entities at the date of this financial report is 123,604 (30 June 2006: 76,723).

Responsible Entity's Holdings of Securities

No securities in the Trust are held by the Responsible Entity.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Rounding off of Amounts

APA is an entity of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in this report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' Report
For the Half Year Ended 31 December 2006

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

G H Bennett
Chairman

R J Wright
Director

Sydney
27 February 2007

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The Directors
Australian Pipeline Limited
As responsible entity for
Australian Pipeline Trust
Level 5, Airport Central Tower
241 O'Riordan Street
Mascot NSW 2020

27 February 2007

Dear Directors

Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Pipeline Limited.

As lead audit partner for the review of the financial statements of Australian Pipeline Trust for the financial half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner

Australian Pipeline Trust

Condensed Consolidated Income Statement
For the Half Year Ended 31 December 2006

	Note	Consolidated	
		31 December 2006 $'000	31 December 2005 $'000
Continuing operations			
Revenue	3 (a)	**243,276**	189,946
Asset operation and management expenses		**(47,249)**	(32,753)
Other pipeline costs – passthrough	3 (b)	**(47,827)**	(42,625)
Depreciation and amortisation expense	3 (b)	**(29,170)**	(18,797)
Finance costs		**(60,228)**	(39,190)
Other expenses		**(10,699)**	(6,815)
Profit before Tax		**48,103**	49,766
Income tax expense		**(15,739)**	(16,068)
Profit for the period		**32,364**	33,698
Attributable to:			
Equity holders of the parent		**32,271**	33,532
Minority interest – APT Investment Trust equity holders		**-**	-
Other minority interests		**93**	166
		32,364	33,698
Earnings per security			
Basic (cents per security)	7	9.82¢	11.57¢

(Diluted earnings per security is exactly the same as basic earnings per security)

Condensed Consolidated Balance Sheet
As at 31 December 2006

	Consolidated	
	31 December 2006 $'000	30 June 2006 $'000
Current Assets		
Cash and cash equivalents	**227,071**	13,004
Trade and other receivables	**52,301**	35,259
Other financial assets	**6,813**	-
Inventories	**6,416**	4,096
Current tax assets	**7,164**	7,164
Other	**4,832**	1,401
Total Current Assets	**304,597**	60,924
Non-Current Assets		
Receivables	**10,205**	10,956
Investments – available-for-sale	**2**	23,199
Property, plant and equipment	**3,405,579**	1,956,037
Goodwill	**270,127**	935
Other intangible assets	**3,503**	3,853
Other	**16,095**	4,951
Total Non-Current Assets	**3,705,511**	1,999,931
Total Assets	**4,010,108**	2,060,855
Current Liabilities		
Trade and other payables	**84,064**	58,823
Borrowings	**860,971**	158,542
Other financial liabilities	**3,224**	3,273
Current tax liabilities	**113**	-
Provisions	**35,232**	22,848
Other	**7,132**	9,275
Total Current Liabilities	**990,736**	252,761
Non-Current Liabilities		
Borrowings	**1,577,959**	1,055,708
Other financial liabilities	**78,010**	79,338
Deferred tax liabilities	**169,720**	77,198
Provisions	**4,809**	2,610
Other	**2,020**	1,780
Total Non-Current Liabilities	**1,832,518**	1,216,634
Total Liabilities	**2,823,254**	1,469,395
Net Assets	**1,186,854**	591,460

Condensed Consolidated Balance Sheet
As at 31 December 2006

	Note	Consolidated 31 December 2006 $'000	30 June 2006 $'000
Equity			
Australian Pipeline Trust Equity			
Issued capital	6 (i)	**791,289**	505,379
Reserves		**781**	(14,510)
Retained earnings		**92,705**	100,490
Parent Entity Interest		**884,775**	591,359
Minority Interests			
APT Investment Trust Equity			
Issued capital	6 (ii)	**302,000**	-
Reserves		**-**	-
Retained earnings		**-**	-
Total APT Investment Trust Minority Interest		**302,000**	-
Other minority interests		**79**	101
Total minority interest		**302,079**	101
Total Equity		**1,186,854**	591,460

Condensed Consolidated Statement of Recognised Income and Expense for the Half Year Ended 31 December 2006

	Consolidated	
	31 December 2006 $'000	31 December 2005 $'000
Gain/(loss) on available-for-sale investments taken to equity	**-**	-
Gain/(loss) on cash flow hedges taken to equity	**1,328**	5,066
Actuarial gain/(loss) on defined benefit plans	**-**	-
Income tax on items taken directly to equity	**(398)**	(1,520)
Net income/(expense) recognised directly in equity	**930**	3,546
Transfers (net of any related tax):		
- Transfer to profit or loss from equity on cash flow hedges	**14,839**	(10,279)
Profit for the period	**32,364**	33,698
Total recognised income and expense for the period	**48,133**	26,965
Attributable to:		
Equity holders of the parent	**48,040**	26,799
Minority interest – APT Investment Trust equity holders	**-**	-
Minority interests	**93**	166
	48,133	26,965

Condensed Consolidated Cash Flow Statement for the Half Year Ended 31 December 2006

	Note	Consolidated	
		31 December 2006 $'000	31 December 2005 $'000
Cash Flows From Operating Activities			
Receipts from customers		**248,320**	202,299
Payments to suppliers and employees		**(128,322)**	(105,934)
Dividends received		**450**	382
Net cash from operating activities before interest and tax		**120,448**	96,747
Interest received		**2,770**	649
Interest and other costs of finance paid		**(49,903)**	(37,028)
Income tax refund / (paid)		**(2,783)**	(5,742)
Net cash provided by operating activities		**70,532**	54,626
Cash Flows From Investing Activities			
Payment for property, plant and equipment		**(51,438)**	(14,341)
Proceeds from sale of property, plant and equipment		**22**	2,566
Purchase of available-for-sale investments		**-**	(22,960)
Acquisition of controlled entities / settlement of liabilities		**(969,758)**	(35,902)
Cash from entities acquired		**28,639**	-
Net cash used in investing activities		**(992,535)**	(70,637)
Cash Flows From Financing Activities			
Proceeds from borrowings		**956,336**	229,000
Repayment of borrowings		**(368,000)**	(186,074)
Distributions paid to:		-	-
Securityholders of APA		**(40,060)**	(33,468)
Outside equity interest		**(116)**	(232)
Proceeds from issue of securities		**597,852**	-
Payment for security issue costs		**(9,942)**	-
Net cash provided by financing activities		**1,136,070**	9,226
Net increase/(decrease) in cash and cash equivalents		**214,067**	(6,785)
Cash and cash equivalents at the beginning of the period		**13,004**	22,373
Cash and cash equivalents at the end of the period	5	**227,071**	15,588

Notes to the Condensed Consolidated Financial Statements for the Half Year Ended 31 December 2006

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1. Significant Accounting Policies

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the entity's annual financial report for the financial year ended 30 June 2006, other than as detailed below.

These condensed financial statements have been prepared on a going concern basis. The Directors have reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable. During the period the consolidated entity entered into two bridging facilities to finance the acquisitions of the businesses as disclosed in Note 8. This has resulted in current liabilities being greater than current assets for this report. The Directors are confident that these short term facilities can be replaced with long term debt on normal commercial terms.

AASB Accounting Standards not yet Effective

The Australian Accounting Standards Board ("AASB") and Urgent Issues Group ("UIG") issued additional standards and interpretations which are effective for periods after the date of these financial statements. The following standards and interpretations have not yet been adopted:

- AASB 7 "Financial Instruments: Disclosures" applicable to annual reporting periods beginning on or after 1 January 2007.

Australian Pipeline Trust ("APA") does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption. Upon adoption of AASB 7, APA will be required to disclose additional information about financial instruments, including greater detail as to its risk disclosure. There will be no effect on reported earnings or net assets.

Adoption of new and revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

Notes to the Condensed Consolidated Financial Statements for the Half Year Ended 31 December 2006 (continued)

2. Segment Information

The Consolidated Entity comprises of the following business segments:

- Gas transportation infrastructure (ie. gas transmission and distribution infrastructure);
- Electricity transmission infrastructure; and
- Other complementary assets – including coal seam gas processing facilities.

Business Segments

The following table represents revenue and profit information for the business segments of the Consolidated Entity.

	Gas Transportation $'000	Electricity Transmission $'000	Complementary Assets $'000	Total $'000
Half year ended 31 December 2006				
Revenue				
Sales revenue	179,495	6,389	651	186,535
Passthrough revenue	47,772	-	55	47,827
Finance lease income	-	-	429	429
Total sales revenue	227,267	6,389	1,135	234,791
Unallocated revenue				8,485
Total revenue				**243,276**
Results				
Earnings before interest, tax, depreciation and amortisation (EBITDA)	127,380	3,366	266	131,012
Depreciation and amortisation	(27,994)	(1,432)	256	(29,170)
Earnings before interest and tax (EBIT)	99,386	1,934	522	101,842
Net finance costs				(53,739)
Profit before tax				48,103
Income tax expense				(15,739)
Profit after tax				**32,364**

Half year ended 31 December 2005

During the half year ended 31 December 2005, the Consolidated Entity operated predominantly in one business segment, being gas transportation infrastructure, and one geographical segment, being Australia.

Notes to the Condensed Consolidated Financial Statements for the Half Year Ended 31 December 2006 (continued)

	31 December 2006 $'000	31 December 2005 $'000

3. Profit from Operations

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

(a) Revenue

Transportation Revenue:		
Pipeline transportation revenue	**179,495**	142,481
Electricity transmission revenue	**6,389**	-
Other tolling revenue	**651**	-
Other pipeline revenue – passthrough	**47,827**	42,625
	234,362	185,106
Finance Income:		
Interest revenue	**6,489**	4,412
Finance lease income	**429**	-
	6,918	4,412
Other Income:		
Net gain on disposal of property, plant and equipment	**17**	48
Other	**1,979**	380
	243,276	189,946

(b) Expenses

Other Pipeline Costs:		
Operating lease – rental expense	**9,352**	8,918
Gas pipeline costs	**38,475**	33,707
Total Other Pipeline Costs – passthrough	**47,827**	42,625
Depreciation of non-current assets	**28,820**	18,438
Amortisation of non-current assets	**350**	359
Depreciation and Amortisation Expense	**29,170**	18,797

(c) Significant Items

Individually significant revenues/(expenses) included in profit after related income tax expense are as follows:

Revaluation of interest rate hedges	**3,400**	-
Corporate legal and advisor costs	**(3,911)**	-
Tariff dispute resolution	**-**	3,262
Profit/(loss) from significant items before related income tax	**(511)**	3,262
Income tax related to significant items	**153**	(979)
Profit/(loss) from significant items after related income tax	**(358)**	2,283

Notes to the Condensed Consolidated Financial Statements for the Half Year Ended 31 December 2006 (continued)

4. Details Relating to Distributions

	31 December 2006		31 December 2005	
	Cents per Unit	**Total $'000**	Cents per Unit	Total $'000
Recognised amounts:				
Final distribution in respect of financial year ended 30 June 2006 paid on 29 September 2006 (2005: 29 September 2005)				
Profit distribution [a]	**6.0**	**16,811**	6.0	16,734
First interim distribution in respect of financial year ending 30 June 2007 paid on 18 December 2006 (2005: 30 December 2005)				
Profit distribution [a]	**7.0**	**23,249**	6.0	16,734
	13.0	**40,060**	12.0	33,468
Unrecognised amounts:				
Second interim distribution in respect of financial year ending 30 June 2007 payable on 30 March 2007 (2005: 30 March 2006)				
Profit distribution [b]	**4.0**	**17,141**	6.0	16,734
	4.0	**17,141**	6.0	16,734

[a] Profit distribution unfranked (2005: 40% franked) at the corporate income tax rate.
[b] Profit distribution unfranked (2005: 30% franked) at the corporate income tax rate.

The second interim distribution in respect of the financial year ending 30 June 2007 has not been recognised in this half year report because the distribution was declared, determined or publicly recommended subsequent to 31 December 2006.

	31 December 2006 $'000	31 December 2005 $'000
Franking account balance (tax paid basis)	**-**	2,259

4. Details Relating to Distributions (continued)

The dividend or distribution plans shown below are in operation.

The distribution reinvestment plan is in operation for this distribution.

The last date(s) for receipt of election notices for the dividend or distribution plans	9 March 2007

5. Notes to the Condensed Consolidated Cash Flow Statement

	31 December 2006 $'000	31 December 2005 $'000
For the purposes of the half year condensed consolidated cash flow statement, cash and cash equivalents are compromised of the following:		
Cash at bank and on hand	**56,106**	13,545
Short-term deposits	**170,965**	2,043
	227,071	15,588

6. Issued Capital

	31 December 2006 $'000	30 June 2006 $'000
(i) APA Units, fully paid	**791,289**	505,379

	No. of Units '000	**2006 $'000**
At 1 July 2006	**280,181**	**505,379**
Issued under Dividend Reinvestment Plan	**2,678**	**11,529**
Institutional placement of units	**41,800**	**190,190**
Security Purchase Plan	**8,950**	**40,242**
Renounceable Rights Issue	**94,905**	**355,891**
Issue cost of units	**-**	**(9,942)**
Capital return to unitholders (note ii)	**-**	**(302,000)**
At 31 December 2006	**428,514**	**791,289**

Notes to the Condensed Consolidated Financial Statements for the Half Year Ended 31 December 2006 (continued)

(ii) APT Investment Trust

During the half year ended 31 December 2006 APA returned capital of $302,000,000 to its unitholders. The return of capital was in turn used to subscribe for the initial issue of units in APT Investment Trust, which were subsequently stapled to APA units to form the single economic group, APA Stapled Group (ie the Consolidated Entity).

	31 December 2006 $'000	30 June 2006 $'000
APT Investment Trust Units, fully paid	**302,000**	-

	No. of Units '000	**2006 $'000**
At 1 July 2006	**-**	**-**
Issued under Product Disclosure Statement	**428,514**	**302,000**
At 31 December 2006	**428,514**	**302,000**

The issued equity of APT Investment Trust is reported as a minority interest in the consolidated balance sheet of APA Group.

7. Earnings Per Security

	2006 ¢ per security	2005 ¢ per security
Basic Earnings per Security (cents per security)	**9.82c**	11.57c

Basic Earnings per Security

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

	2006 $'000	2005 $'000
Earnings	**32,271**	33,532

	2006 No. '000	2005 No. '000
Weighted average number of ordinary securities	**328,522**	289,819

(Diluted earnings per security is exactly the same as basic earnings per security)

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

(i) Acquisition of GasNet Australia Group

Effective from 4 October 2006, the Consolidated Entity obtained control over the GasNet Australia Group ("GasNet") for cash consideration totalling $445,828,000. GasNet's principal activity is the ownership and maintenance of gas transmission pipelines located predominantly in Victoria and also in New South Wales and Western Australia. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination $'000	Fair value adjustments $'000	Fair value $'000
Net assets acquired:			
Cash and cash equivalents	28,639	-	28,639
Trade and other receivables	16,693	-	16,693
Other financial assets - derivatives	2,735	-	2,735
Inventories	854	-	854
Property, plant and equipment	893,212	108,578	1,001,790
Other assets	2,421	905	3,326
Trade and other payables	(15,599)	-	(15,599)
Borrowings	(650,264)	(7,053)	(657,317)
Deferred tax liabilities	(73,875)	38,432	(35,443)
Provisions	(3,517)	(6,700)	(10,217)
Deferred revenue	(10,091)	(1,637)	(11,728)
	191,208	132,525	323,733
Goodwill arising on acquisition			122,095
Total consideration, satisfied by cash			445,828

The initial accounting for the acquisition of the GasNet Group has only been provisionally determined at reporting date. GasNet became wholly owned on acquisition and has joined the company's tax-consolidated group. For tax purposes, the tax values of GasNet's assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire GasNet. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GasNet Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Consolidated Entity also acquired the customer lists and customer relationships of GasNet as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Consolidated Entity and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Included in consolidated net profit for the period is revenue of $28,036,000 and earnings before interest and tax (EBIT) of $11,670,000 attributable to the additional business generated by GasNet for the period from acquisition.

Had the business combination been effected at 1 July 2006, the revenue generated by the GasNet business would have been $60,853,000 and EBIT $30,590,000. The directors of the Consolidated Entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

(ii) Acquisition of Allgas Energy Limited

On 1 November 2006, the Consolidated Entity acquired 100% of issued share capital of Allgas Energy Limited ("Allgas") for cash consideration of $538,391,000. Allgas' principal activity is the ownership and maintenance of gas distribution pipelines located predominantly in South East Queensland and Northern New South Wales. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination $'000	Fair value adjustments $'000	Fair value $'000
Net assets acquired:			
Inventories	1,042	-	1,042
Property, plant and equipment	314,995	116,394	431,389
Deferred tax assets	212	(212)	-
Trade and other payables	-	(116)	(116)
Provisions	(707)	-	(707)
Deferred Revenue	-	(494)	(494)
Deferred tax liabilities	(28,526)	(11,298)	(39,824)
	287,016	104,274	391,290
Goodwill arising on acquisition			147,101
Total consideration, satisfied by cash			538,391

The initial accounting for the acquisition of Allgas has only been provisionally determined at reporting date. Allgas became wholly owned on acquisition and has joined the company's tax-consolidated group. For tax purposes, the tax values of Allgas' assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Allgas. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Allgas. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Consolidated Entity also acquired the customer lists and customer relationships of Allgas as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Consolidated Entity and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Included in consolidated net profit for the period is revenue of $6,512,000 and EBIT of $1,934,000 attributable to the additional business generated by Allgas for the period from acquisition.

Had the business combination been effected at 1 July 2006, the revenue generated by the Allgas business would have been $26,507,000, and EBIT $10,529,000. The directors of the Consolidated Entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

9. Contingent Liabilities and Contingent Assets

	31 December 2006 $'000	30 June 2006 $'000
Contingent liabilities – Bank guarantees	**3,745**	3,745
Contingent assets	-	-

10. Subsequent Events

There has not been any matter or circumstance, other than that referred to the Directors Report, 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.

Statement by the Directors of the Responsible Entity

In the opinion of the Directors of Australian Pipeline Limited, the responsible entity of Australian Pipeline Trust ("APA"), the financial statements:

(a) comply with Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of APA's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that APA will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

G H Bennett
Chairman

R J Wright
Director

Sydney
27 February 2007

Deloitte.

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Independent Auditors' Review Report to the unitholders of Australian Pipeline Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Pipeline Trust, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising both Australian Pipeline Trust (the trust) and the entities it controlled at the end of the half-year (including the stapled entity APT Investment Trust) or from time to time during the half-year on pages 10 to 25.

Directors' Responsibility for the Half-Year Financial Report
The directors of Australian Pipeline Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Australian Pipeline Trust's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Pipeline Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pipeline Trust is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants
Sydney, 27 February 2007