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Australian Pipeline Trust

Australian Pipeline Ltd
ACN 091 344 704

ARSN 091 678 778

30 August 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This announcement refers to the results of Australian Pipeline Trust ("APA") as detailed in the Appendix 4E– Preliminary Final Report for the period 1 July 2004 to 30 June 2005.

The directors of Australian Pipeline Limited as responsible entity for Australian Pipeline Trust (APA) are pleased to announce the audited full year results for the year ended 30 June 2005 (FY 2005) for APA.

Operating profit after tax and minorities but before significant items was $51.014 million, an increase of 13.4% on the prior year of $44.984 million. The improved performance resulted from acquisitions (as noted below) and increased pipeline transportation revenue, principally in the Roma to Brisbane Pipeline (RBP). After significant items, net profit attributable to unitholders of APA for the financial year was $69.681 million (2004: $121.292 million).

A final profit distribution of 6.0 cents per unit (cpu) franked to 40% at the corporate income tax rate has been declared. This takes the total distribution in respect of the 2005 financial year to 22.5cpu, an increase of 1.0 cpu, over the previous corresponding period (pcp).

A$M	**FY 2005**	FY 2004	Change %
Pipeline Revenue	**267.235**	185.591	44.0
Total Revenue	**375.790**	278.108	35.8
EBITDA	**178.876**	133.935	33.6
EBIT	**142.058**	111.368	27.6
Operating profit after income tax and minorities	**51.014**	44.984	13.4
Significant Items			
Stress Corrosion cracking repair provision	**(23.530)**	-	-
Tax consolidation benefits	**33.738**	92.912	-
Other significant items	**8.459**	(16.604)	-
Net profit attributable to unitholders	**69.681**	121.292	(42.6)
Earnings Per Unit (cents) – before significant items	**18.55**	18.25	1.6

KEY FEATURES OF 2005 RESULT

- Increased pipeline revenue on the Roma to Brisbane Pipeline (RBP);
- Acquisition of the remaining 45% interest in SCP (No. 1) Pty Limited (SCP), the Parmelia Gas Business and the minority interest in Carpentaria Gas Pipeline (CGP);
- Further development of the Western Australian assets;
- Increase in annual distribution from 21.5cpu to 22.5cpu
- Further reduction in pipeline revenue from the Moomba to Sydney Pipeline (MSP) due to the Gas Transportation Deed (GTD)
- Acquired 5.3% of issued stapled securities in GasNet Australia Group
- Renegotiated syndicated borrowings for the APA Group on terms more favourable than previous facility

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FINANCIAL SUMMARY

Operating results ($m)	**FY 2005**	FY 2004	Change compared to pcp	%
Pipeline Revenue	**267.235**	185.591	81.644	44.0
Other Pipeline Revenue	**89.304**	74.577	14.727	19.7
Other Revenue	**19.251**	17.940	1.311	7.3
Total Revenue	**375.790**	278.108	97.682	35.1
EBITDA	**178.876**	133.935	44.941	33.6
EBIT	**142.058**	111.368	30.690	27.6
Pre tax Profit	**77.754**	65.021	12.733	19.6
Income Tax Expense	**(26.430)**	(19.825)	(6.605)	(33.3)
Operating profit after income tax and minorities	**51.014**	44.984	6.030	13.4
Significant Items				
Stress Corrosion Cracking repair provision	**(23.530)**	-	(23.530)	-
Due diligence cost recovered (written-off)	**2.000**	(5.763)	7.763	-
Mid West Pipeline written off	**-**	(19.943)	19.943	-
Tax consolidation benefit - SCP	**-**	6.964	6.964	-
Significant items before income tax	**(21.530)**	(18.742)	2.788	-
Tax effect of significant items	**6.459**	2.138	4.321	-
Tax consolidation benefit – APA	**33.738**	92.912	(59.174)	-
Significant items after income tax	**18.667**	76.308	(57.641)	(75.5)
Net profit attributable to unitholders	**69.681**	121.292	(51.611)	(42.6)

Financial Ratios

	FY 2005	FY 2004	Change compared to pcp	
Earnings Per Unit (cents) – before significant items	**18.55**	18.25	0.30	1.6
Earnings Per Unit (cents) after significant items	**25.33**	49.20	(23.87)	(48.5)
Net Tangible Asset Backing per unit	**$2.19**	$2.08	0.11	5.3
Free Cash Flow per unit (cents)	**37.6**	31.8	5.8	18.2
Interest Cover Ratio	**2.3**	2.3	-	-
Gearing Ratio (%)	**63.53**	58.37	5.16	-

FINANCIAL COMMENTARY

The improvement in profit resulted from the consolidation of minority interests arising from recent acquisitions and increased pipeline transportation revenue, principally in the RBP.

Revenue

Pipeline revenue grew by 44.0% from $185.591 million to $267.235 million, which was principally due to consolidation into APA of SCP Gas Business revenue, which had been previously equity accounted. If the consolidation effect is excluded, Pipeline revenue fell to

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$181.514 million, a reduction of $4.077 million compared to the pcp. The lower revenue is a direct consequence of the reduction in the transportation revenue on the MSP under the GTD, which has been foreshadowed in previous financial reports.

The full impact of the revenue reduction in GTD through the MSP of $5.621million, was mitigated by additional revenue from other customers, indicating that the increased competition in gas markets is encouraging the emergence of alternate gas retailers and aggregators.

The revenue from the RBP increased by 11.4% from $27.098 million to $30.213 million due to an increase in capacity contracted and higher throughput to existing customers.

Expenses

Pipeline operating and management expenses increased from $42.521 million in the pcp to $74.879 million on a recurring basis, an increase of 75.85%, mainly due to the impact of consolidating the acquired entities. Excluding the Pipeline operating and management expenses of the acquired entities and a one-off adjustment in Amadeus Gas Trust in the previous year, expenses were higher by $2.752 million to $45.273 million.

The net borrowing cost increased by $17.958 million to $64.305 million due to additional borrowing to fund the acquisitions. Interest expenses also benefited from a 'one-off' reduction resulting from the re-negotiation of various hedge contracts following the issue of Guaranteed Senior Notes in the United States Private Placement market in the pcp.

Income Tax

Income tax expenses is higher as a percentage of pre-tax profit in comparison to the previous financial year, as the share of net profit of joint venture entities (included in Pipeline revenue) is not tax effected to the extent that such profit is not received as cash dividends.

Earnings per Unit

Earnings per unit (EPU) before significant items increased from 18.25 cpu to 18.55 cpu on an operating basis, due to the improved performance mentioned above. Growth in EPU was impacted by the issue of 24.5 million units to institutional investors in August 2004 as part of the funding package associated with the acquisition of the remaining SCP interest and Parmelia Gas Business.

Cash Flow

Cash flow from operating activities of $106.220 million was $23.905 million higher than pcp of $82.315 million, as a consequence of acquisitions, which were cash flow accretive.

APA paid $209.213 million on the SCP and the Parmelia Gas Business acquisition and $97.238 million on the CGP acquisition. The SCP and the Parmelia Gas Business acquisition was funded by a private equity placement of $61.740 million, operating cash flows and borrowings. The cash from acquired entities of $116.424 million was subsequently utilised to repay part of the additional borrowing.

APA entered into new bilateral debt arrangements for terms of three and five years. This increased the total unsecured bank facility to $700 million from $500 million during the pcp.

Unitholder distribution increased from $52.950 million in the pcp to $63.786 million as a consequence of a higher number of units issued and increase in distribution per unit and deactivation of the DRP.

Significant Items

The results of the current financial year were impacted by the following significant items:

- based on the investigation and analysis carried out in relation to SCC, APA has identified various sites where additional work needs to be undertaken. As there is a legal and constructive obligation to carry out the additional and further investigative work, an amount of $23.530 million has been provided as at 30 June 2005. SCC investigative work during the year of $3.410 million has been written off.
- APA negotiated with the administrators of Dampier to Bunbury Natural Gas Pipeline to receive $2.000 million towards cost of APA's unsuccessful bid for the pipeline. The costs incurred in relation to the bid were written off in the pcp.
- as outlined in the 2004 Annual Report, the Business Tax Reform legislation, of which tax consolidation is a part, was enacted through a series of successive legislation. The tax consolidation benefit of $92.912 million that was taken into account in the accounts in the previous financial year was based on the prevailing legislation.

  In March 2005, Tax Laws Amendment (2004 Measures No. 6) Bill 2004 received Royal Assent. The Act amended the basis of calculation of tax base of assets of transitional entities such as APA. Consequently the tax base of assets was increased further, resulting in the release of deferred income tax liability and a corresponding income tax benefit of $33.738 million.

The net after-tax impact of the significant items is $33.938 million.

Distribution to Unitholders

On 30 August 2005, the directors declared a final profit distribution of 6.0 cpu, franked to 40% at the corporate income tax rate, taking the total distribution for the 2005 financial year to 22.5 cpu. This is an increase of 1.0 cpu, over the pcp.

As a consequence of tax consolidation, APA's distribution will be comprised entirely of profit distributions for so long as consolidated retained profits are available. Additionally, APA expects to continue declaring partially franked distributions to the extent of available franking credits.

HIGHLIGHTS

Acquisitions and Investments

- On 17 August 2004, APA acquired the remaining 45% interest in SCP, the 88.12% owner of Goldfields Gas Transmission Pipeline (GGT), and Parmelia Gas Business. APA paid $209.213 million, including working capital adjustments, on acquisition. Prior to the acquisition, APA had equity accounted SCP's financial results. From the date of the acquisition, the results of SCP and the Parmelia Gas Business have been consolidated into APA's figures.
- On 25 February 2005, APA acquired the remaining 30% minority interest in CGP for $97.238 million.
- Subsequent to year end, APA acquired a 5.3% unit in the stapled issued units of GasNet Australia Group, a gas transmission business listed on the ASX

Operating Highlights

In Queensland, APA entered into: -

- a ten year transportation agreement to transport up to 16 PJ per annum of gas through the RBP in Queensland to Incitec Pivot Limited's fertiliser plant at Gibson Island. The agreement will commence in 2007.

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- a variation agreement with CS Energy to increase transportation volumes through the RBP to over 15 PJ pa, to deliver CS Energy's Swanbank E power station. The agreement is for a period of 12.5 years and commences immediately.
- a ten year gas transportation agreement to transport coal bed methane to the new Braemar power station in Queensland. Starting in 2006, APA will transport six PJ of gas per annum, via its RBP.

In Western Australia, APA: -

- advanced planning to expand its Mondarra gas storage facilities following the gas storage optimisation agreement signed with Western Power. Gas storage optimisation is intended to assist Western Power to meet its power requirements in the Perth region.
- signed a four year contract with Western Power to transport gas through the Parmelia Gas Pipeline to Austral Bricks in Western Australia.

In addition, APA renegotiated the syndicated borrowing which was due to expire in June 2005, on a bilateral basis with the lenders for a term extending up to five years. Project debt under SCP has also been re-financed under the bilateral facility. The new facility is on terms more favourable than the previous facility, which will lower borrowing costs in future periods.

During the year an APA backed consortium was named preferred bidder to build, own and operate the Trans-Territory Pipeline (TTP) in Northern Territory for Alcan. However, following termination of negotiations between Alcan and the Blacktip joint venture (which was to supply gas to Alcan), the construction of TTP has been indefinitely delayed. All associated costs have been written off.

OTHER MATTERS

Dividend Re-investment Plan

Dividend Re-investment Plan (DRP) was operational for the final distribution of FY 2004 and first interim distribution of the financial year and raised $11.511 million, net of costs, from the 4.059 million units issued. The DRP was suspended from and including the second interim distribution in March 2005 and the Board will review whether to reactivate the DRP at each subsequent meeting at which the quarterly distribution is considered. As at 30 June 2005, 278.895 million units were on issue.

MSP - Stress Corrosion Cracking (SCC)

As previously reported, APA has carried out extensive investigation and analysis of the incidence and impact of SCC on the MSP. The work has concentrated on the first 162 kilometres of the MSP where the conditions under which SCC can develop, are most likely to be found. The first 162 kilometres of pipeline runs through the remote northern parts of South Australia and New South Wales and crosses a small section of south-western Queensland. The main investigation included the running of two "intelligent pigs" through the gas stream in the pipeline to measure and record irregularities in the steel wall of the pipe. This was carried out in January and March 2005 and preliminary data obtained.

From this preliminary data six sites were identified which required further investigation. In May 2005, these sites were excavated and work successfully carried out which ensured that the MSP continued to operate safely at a sufficient pressure to meet expected load requirements for winter 2005.

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A final inspection data report has been received. On the basis of this report, it has been established that there is a higher occurrence of SCC towards the beginning of the 162 kilometres of pipeline which declines in severity near the end of this section.

APA is planning to carry out the additional work needed to ensure the continued safe and reliable operation of the MSP. APA is confident that it will continue to meet its contractual obligations. As mentioned, APA has provided $23.53 million in relation to SCC during the year. Of this amount approximately $12.12 million will be applied to remediation work, $8.0 million has been provided for additional intelligent pigging exercises, while SCC investigative work during the year of $3.41 million has been written off.

REGULATORY MATTERS

Discussion with, and submissions to, governments and regulators on regulation of gas transmission pipelines, continued to have a significant impact on APA's resources. Key regulatory matters addressed during the financial year included the following:

- The appeal to the Australian Competition Tribunal against the ACCC's decision on the access arrangement for the MSP system was finalised in June 2005. The Tribunal ordered that the regulatory value for the MSP be set at $834.7 million (as at 1 July 2003) and that the rates of return allowed by the ACCC be increased, across the board. The ACCC has appealed to the Full Court of the Federal Court against the decision of the Tribunal on the basis that the Tribunal's decision contained errors of law. The hearing of the appeal occurred in mid-August 2005. APA expects that the Federal Court will uphold the Tribunal's decision;
- Approval by the Economic Regulation Authority of the GGT access arrangement, now finalises the regulatory process, effective 1 August 2005. Additionally, the appeal against the Minister's decision that the GGT should not be regulated under the Gas Code, has been discontinued. APA is pleased to have the regulatory process affecting GGT completed. With the regulatory process finally complete, APA to pursue new opportunities in Western Australia and;
- APA and the gas transmission industry await the Australian and State Governments' implementation of the recommendations contained in the Productivity Commission Final Report on the National Gas Access Regime. The recommendations recognise the need for a simpler, fairer and more efficient regulatory regime than presently exists. APA continues to work with Australian Pipeline Industry Association and other industry bodies to ensure the recommendations are introduced in a timely manner.

GAS SUPPLY

The question of the sourcing of future natural gas supplies to south-east and northern Australia from the end of this decade continues to be a major issue. APA has made the decision to support the development of Coal Bed Methane (CBM) production as a means of partially addressing a conventional natural gas shortfall. CBM has proven to be a useful adjunct energy source and its development will continue to be fully supported by APA.

There has been a "missing link" in connecting Queensland gas to South Australia and New South Wales. The absence of this physical link is being managed through gas swap agreements between our customers, which enables Queensland gas to be sold in New South Wales. The Papua New Guinea (PNG) gas pipeline project provides an opportunity to connect the eastern coast gas market to northern gas and create the long touted "east coast gas grid".

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The announcement by the PNG gas project participants that they had entered into a conditional agreement with Alcan to deliver 43.5 PJ of gas over 20 years for its Northern Territory based Gove alumina project, is real progress for the PNG gas pipeline project.

This news, together with AGL's announcement of a conditional gas supply agreement with the PNG gas project producers to purchase around 1,500 PJ of gas over 20 years from 2009, adds strength to the likelihood that the PNG gas pipeline project will finally become a reality.

Under the Pipeline Development Agreement (PDA) between APA and AGL, APA has first right to purchase up to 20% of the PNG Gas Pipeline on normal commercial terms, as well as any other future gas transmission projects that AGL intends to sell. We understand that the PNG gas project participants are looking to make a final investment decision in the second half of 2006. APA welcomes these developments and looks forward to the PNG gas project becoming a reality.

OUTLOOK

In the Directors' opinion, the fundamentals of the business continue to be sound and management has the appropriate strategies in place to ensure continued growth in the underlying business. Subject to unforeseen circumstances, it is expected that APA will be able to maintain current operating profit and cash distributions for FY 2006. This view recognises a number of challenges facing the business over the next few years including, the impact of the regulatory decision on future revenues on the GGT, and the contracted reduction of revenues on the MSP. It is, however, unlikely that APA will be able to continue the current level of franking of distributions throughout FY 2006 as a consequence of the impact of tax consolidation.

UNITHOLDER ANNUAL MEETING

APA will be holding an unitholder annual meeting at the InterContinental, Sydney on Friday 21 October 2005 at 11am to offer the opportunity for unitholders to meet and discuss our performance in this full year.

The constitution of Australian Pipeline Limited requires that one third of the directors (other than the two directors appointed by AGL, the director appointed by Petronas and the managing director – if one is appointed) should retire each year, but are then eligible for re-election. Accordingly Robert Joseph Wright will retire at the conclusion of the next annual general meeting of APL and is seeking re-election to the Board.

The constitution of APL also requires that any director appointed by the other directors to fill a casual vacancy on the Board, holds office until the conclusion of the next annual general meeting of APL and is eligible for re-election. Mr Russell Allan Higgins was appointed on 7 December 2004 to fill a casual vacancy opened by the retirement of Thomas Ford. Accordingly, Mr Higgins will retire as director at the annual general meeting of APL to be held on 31 October 2005 and is seeking re-election to the Board.

Unitholders are advised that, as part of the constitutional changes to Australian Pipeline Limited, unitholders may nominate candidates for the two directorial positions. Only completed nomination forms received at the ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South NSW 1235 by no later than 5pm on 14 September 2005 will be accepted.

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

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

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

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

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